

Consolidated Financial Statements

Daiwa House Industry Co., Ltd.

*Year ended March 31, 2024
with Independent Auditor's Report*

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2024

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Independent Auditor's Report

The Board of Directors
Daiwa House Industry Co., Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction costs for ordered contract transactions of which revenues are recognized based on the fulfillment of performance obligations over a certain period of time	
Description of Key Audit Matter	Auditor's Response
As described in Note 1 (m) "Revenue recognition," performance obligations related to ordered contract transactions in which contracts for construction work have been entered into with customers for single-family	We mainly conducted the following audit procedures for the construction works that we selected based on quantitative and qualitative factors including the construction progress standard abnormality detection tool** criteria

houses, rental housing, commercial facilities, business and corporate facilities and others are satisfied over a certain period of time and revenues are recognized based on the progress of fulfillment of the performance obligations (“progress”). This progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs). Specifically, the amount of revenue to be recognized is determined using the following formula:

Total construction revenue × progress (cost incurred ÷ total construction costs)

As described in Note 1 (v) “Significant accounting judgments, estimates and assumptions”, sales (including construction contracts in progress as at the end of the year) recorded for the year ended March 31, 2024 using the method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time related to construction contracts amounted to ¥1,950,551 million (\$12,882,577 thousand)*.

Total construction costs are estimated using execution budgets for each construction contract, and the execution budgets are formulated using cost items such as the quantity of construction materials, labor hours, and procurement unit price as assumptions. These cost items reflect specific factors such as the specifications and status of construction contracts and external factors such as economic conditions and business environment and are aggregated according to construction type such as reinforced steel construction, concrete construction, and electrical equipment construction. Of these cost items, material construction costs for items not yet ordered involves uncertainty since such costs may differ from the execution budget due to fluctuations in prices and the like at some point in the future and thus have a significant impact on progress of fulfilling the performance obligations. In addition, estimates of execution budgets for construction contracts having a long construction period and unique specifications

we established in light of risks in order to assess the reasonableness of the estimates of total construction costs for ordered contract transactions that were in progress as at the end of the year for which revenues were recognized based on the progress of fulfillment of performance obligations over a certain period of time.

** Construction progress standard abnormality detection tool

A tool for detecting unusual trends in the progress of construction and development projects that applies a method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time based on progress forecasted using machine learning. This tool also allows users to predict which construction projects may have total construction costs that exceed total construction revenue and detect unusual timing of costs.

(1) Evaluation of internal controls

We evaluated the design and the effectiveness of the following internal controls of the Group related to the estimates of total construction costs.

- We evaluated the internal controls that ensure the reliability of execution budgets, which are the basis of the estimates of total construction costs, requiring that such execution budgets are formulated by persons in charge of construction work with specialized knowledge through a detailed cumulative calculation based on construction drawings, quotations obtained from third parties, and others, and that the necessary approval for such execution budgets is obtained.
- We evaluated internal controls ensuring that the estimates of total construction costs are revised on a timely basis according to the status of construction work, actual cost incurred, or instructions for changes in specification from customers.

are complex since there are wide range of cost items.

Accordingly, we have determined estimates of total construction costs for ordered contract transactions in progress as at the end of the year for which revenues were recognized based on the progress of fulfillment of performance obligations over a certain period of time to be a key audit matter.

(2) Estimates of total construction costs

We mainly conducted the following audit procedures in order to assess the appropriateness of estimates of total constructions costs.

<Consideration of estimation methods>

- We considered whether the execution budgets were prepared by aggregating data by construction type and considered whether the construction type related to the construction work was incorporated in the execution budgets by making inquiries of persons in charge as necessary.
- We considered whether the execution budgets contained any significant and unusual adjustments for the purpose of reflecting future uncertainties.

<Consideration of significant assumptions>

- We assessed whether construction costs for items not yet ordered, such as the quantity of construction materials, labor hours, and procurement unit price, were properly estimated by comparing the execution budgets to the quotations obtained from subcontractors, or the actual construction records in the past and the profit margin of similar construction works in progress.
- We made inquiries of the person in-charge of construction sites regarding the construction progress and the status of orders to subcontractors and considered whether there were any significant events requiring a revision of total construction costs.
- We inspected the documents for internal approvals of the revision of the estimates of the total construction costs and assessed whether the execution budgets were revised in a timely and appropriate manner according to the progress of construction works.
- We observed construction sites of certain construction works, made inquiries of the person in-charge of construction sites regarding the status of construction work,

	<p>and considered whether the answers we received are consistent with the progress of construction works and with the details of estimates of the total construction costs.</p> <p><Consideration of data></p> <ul style="list-style-type: none"> • We compared the construction costs for items that were already ordered from subcontractors to the supporting documents proving such orders, such as order acceptances, and considered the consistency between these costs and documents.
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<p>Revenue recognition of real estate sales transactions to real estate funds and others, such as special purpose companies and others, and REITs or parties with which the Group has continuing involvement</p>	
<p>Description of Key Audit Matter</p>	<p>Auditor’s Response</p>
<p>The Group is engaged in the real estate development business mainly involving business facilities and commercial facilities.</p> <p>During the year ended March 31, 2024, the Group recorded revenue from sales of real estate to real estate funds, which is mainly included in net sales of ¥263,552 million (\$1,740,651 thousand)* arising from sales of development properties.</p> <p>Revenue from sales of real estate to real estate funds and others is recognized when the real estate has been transferred at an appropriate price and substantially all the risks and rewards of ownership of the real estate have been transferred. In general, the terms and conditions of real estate sales transactions are highly specific, and each transaction amount is material. In particular, when the transferees are real estate funds or others, there is a risk that the real estate will not be transferred at an appropriate price since transferees differ in nature from ordinary counterparties, and transferees leverage this difference in nature to adjust real estate prices to be advantageous for them. In addition, the individual scheme and terms and conditions of transactions are</p>	<p>We mainly conducted the following procedures for certain transactions in which the sales transaction amount exceeded a quantitative threshold in order to assess revenue recognition for real estate sales transactions to real estate funds and others.</p> <ul style="list-style-type: none"> • In order to consider whether real estate was transferred at appropriate prices, we compared the prices with prices for real estate transactions in the same areas and real estate appraisals. In addition, we compared future cash flows and discount rates, which form the basis for real estate appraisals, to information such as real estate transactions in the same areas, rent data published by external organizations, and market reports on yields. • In order to understand the entire transaction scheme, including the buyers, consider whether the transaction entails the continuing involvement of the Group, and assess the economic rationality of the transaction, we inspected the request for approval and the minutes of the Board of Directors’ meetings and, when necessary, made inquiries of the responsible department.

<p>complicated and, if the Group has continuing involvement, such as providing management services, granting repurchase options, sale and leaseback transactions or the partial holding of equity interest after the transfer of the real estate is completed, a material amount of revenue may be recognized even though substantially all of the risks and rewards of ownership of the real estate have not been transferred. Accordingly, we have determined revenue recognition for real estate sales transactions to real estate funds and others to be a key audit matter.</p>	<ul style="list-style-type: none"> • In order to assess whether there are any conditions that demonstrate continuing involvement (degree of risk) in relation to the transferred assets, we inspected related contracts such as sales contracts, investment contracts, and real estate management contracts and, when necessary, made inquiries of the responsible department. • In order to assess the completion of the transfer of the assets, we inspected the evidence of cash receipts and certified copies of the real estate register.
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* The translation of Japanese yen amounts into U.S. dollar amounts has been made on the basis described in Note 3 to the consolidated financial statements.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that such other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Daiwa House Industry Co., Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are ¥630 million and ¥67 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Osaka, Japan

July 22, 2024

Yasuhiro Takata

Yasuhiro Takata
Designated Engagement Partner
Certified Public Accountant

Satoshi Abe

Satoshi Abe
Designated Engagement Partner
Certified Public Accountant

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2024	2023	2024
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 10, 26 and 28</i>)	¥ 450,129	¥ 358,086	\$ 2,972,914
Trade notes and accounts receivable (<i>Notes 10, 26 and 30</i>)	493,205	454,341	3,257,413
Lease receivables and investments in leases (<i>Note 24</i>)	124,906	98,809	824,952
Mortgage notes receivable held for sale (<i>Note 10</i>)	25,739	15,771	169,995
Securities maturing within one year (<i>Notes 5, 6, 10 and 26</i>)	449	3,570	2,965
Inventories (<i>Notes 7, 8 and 10</i>)	2,287,764	2,091,678	15,109,728
Other current assets (<i>Note 10</i>)	271,675	232,876	1,794,300
Allowance for doubtful accounts (<i>Note 26</i>)	(3,789)	(3,145)	(25,024)
Total current assets	3,650,081	3,251,988	24,107,265
Property, plant and equipment (<i>Notes 7, 8 and 31</i>):			
Land (<i>Notes 7, 10 and 15</i>)	816,722	916,871	5,394,108
Buildings and structures (<i>Notes 7, 10 and 15</i>)	1,453,394	1,410,373	9,599,062
Machinery, equipment and vehicles (<i>Notes 7, 10 and 15</i>)	170,835	166,189	1,128,294
Tools, furniture and fixtures (<i>Notes 7 and 15</i>)	88,982	86,869	587,689
Leased assets (<i>Notes 15 and 24</i>)	119,189	105,361	787,193
Construction in progress (<i>Notes 7, 10 and 15</i>)	120,057	128,381	792,926
Other tangible assets (<i>Notes 10 and 15</i>)	22,743	14,951	150,208
Total	2,791,923	2,828,998	18,439,488
Accumulated depreciation	(783,894)	(795,369)	(5,177,293)
Net property, plant and equipment	2,008,029	2,033,629	13,262,195
Investments and other assets:			
Investment securities (<i>Notes 5, 6, 10 and 26</i>)	224,638	218,834	1,483,640
Long-term loans receivable (<i>Note 10</i>)	5,134	4,560	33,907
Assets for employees' retirement benefits (<i>Note 11</i>)	39,115	-	258,338
Lease deposits (<i>Note 26</i>)	252,587	256,582	1,668,231
Deferred tax assets (<i>Note 20</i>)	111,804	141,265	738,418
Goodwill	95,429	94,467	630,268
Other assets (<i>Notes 6, 10 and 15</i>)	148,258	142,250	979,182
Allowance for doubtful accounts	(1,357)	(1,510)	(8,962)
Total investments and other assets	875,610	856,449	5,783,039
Total assets (<i>Note 31</i>)	¥ 6,533,721	¥ 6,142,067	\$ 43,152,506

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

March 31, 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2024	2023	2024
Liabilities and net assets			
Current liabilities:			
Payables:			
Trade notes and accounts payable	¥ 361,313	¥ 380,004	\$ 2,386,321
Other	95,643	125,732	631,682
Short-term bank loans (<i>Notes 9 and 10</i>)	122,253	133,028	807,430
Current portion of long-term debt (<i>Notes 9, 10, 24 and 26</i>):			
Bonds	100,000	50,000	660,458
Loans from banks	117,675	159,044	777,194
Lease obligation	9,105	8,074	60,134
Income taxes payable (<i>Note 20</i>)	76,222	57,254	503,414
Advances received (<i>Note 30</i>)	103,529	142,950	683,765
Advances received on construction projects in progress (<i>Note 30</i>)	195,458	183,273	1,290,918
Accrued bonuses	64,991	60,728	429,238
Provision for warranties for completed construction	8,236	7,460	54,395
Provision for loss on construction contracts (<i>Note 2</i>)	7,291	2,886	48,154
Asset retirement obligations (<i>Note 12</i>)	4,394	4,130	29,020
Other current liabilities (<i>Notes 2 and 10</i>)	265,285	212,280	1,752,096
Total current liabilities	1,531,400	1,526,847	10,114,259
Long-term liabilities:			
Long-term debt (<i>Notes 9, 10, 24, 26 and 27</i>):			
Bonds	759,000	559,000	5,012,878
Loans from banks	988,909	945,507	6,531,332
Lease obligation	107,236	97,420	708,249
Long-term deposits received from the Group's club members	–	1,146	–
Lease deposits received (<i>Notes 10 and 26</i>)	303,547	307,593	2,004,801
Deferred tax liabilities on land revaluation (<i>Note 20</i>)	18,285	18,405	120,764
Liabilities for employees' retirement benefits (<i>Note 11</i>)	103,003	103,617	680,291
Asset retirement obligations (<i>Note 12</i>)	61,100	58,009	403,540
Other long-term liabilities (<i>Note 20</i>)	137,476	135,605	907,971
Total long-term liabilities	2,478,559	2,226,305	16,369,850
Total liabilities	4,009,959	3,753,153	26,484,109
Commitments and contingencies (<i>Note 25</i>)			
Net assets (<i>Note 22</i>):			
Shareholders' equity			
Common stock – 1,900,000,000 authorized shares, 659,351,820 issued and 639,822,767 outstanding as of March 31, 2024 and 666,290,951 issued and 658,871,301 outstanding as of March 31, 2023	161,957	161,845	1,069,658
Capital surplus	301,318	303,741	1,990,079
Retained earnings	1,903,326	1,710,582	12,570,675
Treasury stock – at cost, 19,529,053 shares in 2024 and 7,419,650 shares in 2023	(88,320)	(20,327)	(583,316)
Total shareholders' equity	2,278,281	2,155,842	15,047,097
Accumulated other comprehensive income:			
Unrealized gain (loss) on securities	55,342	54,701	365,510
Deferred gain (loss) on hedging instruments	(1,916)	(118)	(12,654)
Land revaluation reserve	10,234	9,277	67,591
Foreign currency translation adjustments	95,919	64,508	633,505
Total accumulated other comprehensive income	159,580	128,369	1,053,959
Non-controlling interests	85,900	104,701	567,333
Total net assets	2,523,762	2,388,914	16,668,397
Total liabilities and net assets	¥ 6,533,721	¥ 6,142,067	\$ 43,152,506

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2024	2023	2024
Net sales (Notes 8, 30 and 31)	¥5,202,919	¥4,908,199	\$ 34,363,113
Cost of sales (Notes 7, 8, 11 and 16)	4,210,511	3,953,004	27,808,671
Gross profit	992,407	955,194	6,554,434
Selling, general and administrative expenses (Notes 8, 11 and 13)	552,197	489,824	3,647,031
Operating income (Note 31)	440,210	465,370	2,907,403
Other income (expenses):			
Interest income	2,734	2,390	18,056
Dividend income	5,706	5,146	37,685
Equity in earnings (losses) of affiliates	2,411	844	15,923
Insurance claim income	1,438	1,836	9,497
Gain on valuation of derivatives	5,302	–	35,017
Interest expense	(31,531)	(18,836)	(208,249)
Provision of allowance for doubtful accounts	(53)	(849)	(350)
Gain on sales of fixed assets (Notes 8 and 14)	7,249	3,935	47,876
Gain on sales of investments in securities (Note 5)	16,602	1,662	109,649
Gain on sales of stocks of subsidiaries and affiliates (Note 17)	23,189	301	153,153
Gain on sales of investments in capital of subsidiaries and affiliates	–	3,651	–
Gain on change in equity interest	1,983	476	13,096
Loss on sales of fixed assets (Notes 8 and 14)	(149)	(223)	(984)
Loss on disposal of fixed assets (Note 8)	(2,975)	(3,879)	(19,648)
Impairment loss (Notes 8 and 15)	(10,826)	(11,271)	(71,501)
Loss on sales of investments in securities (Note 5)	(17)	(218)	(112)
Loss on revaluation of investments in securities (Note 5)	(1,423)	(498)	(9,398)
Loss on sales of stocks of subsidiaries and affiliates (Notes 18 and 29)	(5,345)	(4,066)	(35,301)
Loss on sales of investments in capital of subsidiaries and affiliates	–	(194)	–
Tenant compensation expenses (Note 19)	–	(5,191)	–
Other, net	1,329	108	8,777
Profit before income taxes	455,834	440,496	3,010,593
Income taxes (Note 20):			
Current	132,317	96,806	873,898
Deferred	23,263	28,012	153,642
Total income taxes	155,581	124,819	1,027,547
Profit	¥ 300,253	¥ 315,677	\$ 1,983,046
Profit attributable to non-controlling interests	¥ 1,500	¥ 7,277	\$ 9,906
Profit attributable to owners of the parent	298,752	308,399	1,973,132

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Profit	¥ 300,253	¥ 315,677	\$ 1,983,046
Other comprehensive income (Note 21):			
Unrealized gain (loss) on securities	640	(9,317)	4,226
Deferred gain (loss) on hedging instruments	(1,798)	742	(11,875)
Land revaluation reserve	37	6	244
Foreign currency translation adjustments	35,230	50,068	232,679
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	343	(4,434)	2,265
Total other comprehensive income	34,452	37,065	227,541
Comprehensive income	¥ 334,706	¥ 352,742	\$ 2,210,593
Total comprehensive income attributable to:			
Owners of the parent	¥ 329,043	¥ 339,484	\$ 2,173,191
Non-controlling interests	5,662	13,258	37,395

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2024

	<i>Thousands</i>	<i>Millions of yen</i>				Total shareholders' equity
	Number of shares of common stock outstanding <i>(Note 22)</i>	Common stock	Capital surplus	Retained earnings	Treasury stock <i>(Note 22)</i>	
Balance, April 1, 2022	655,668	¥ 161,699	¥ 301,982	¥ 1,486,900	¥ (29,081)	¥ 1,921,500
Issuance of common stock	90	145	145	-	-	291
Cash dividends	-	-	-	(86,089)	-	(86,089)
Profit attributable to owners of the parent	-	-	-	308,399	-	308,399
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	520	-	-	520
Land revaluation reserve	-	-	-	1,371	-	1,371
Purchase of treasury stock	(3)	-	-	-	(10)	(10)
Disposal of treasury stock	23	-	0	-	189	189
Cancellation of treasury stock	-	-	(104)	-	104	-
Changes arising from share exchanges	3,092	-	1,197	-	8,471	9,669
Net change in items other than those in shareholders' equity	-	-	-	-	-	-
Balance, April 1, 2023	658,871	161,845	303,741	1,710,582	(20,327)	2,155,842
Issuance of common stock	60	111	111	-	-	223
Cash dividends	-	-	-	(87,520)	-	(87,520)
Profit attributable to owners of the parent	-	-	-	298,752	-	298,752
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	(926)	-	-	(926)
Land revaluation reserve	-	-	-	(919)	-	(919)
Purchase of treasury stock	(19,109)	-	-	-	(87,171)	(87,171)
Disposal of treasury stock	-	-	0	-	0	0
Cancellation of treasury stock	-	-	(1,608)	(17,569)	19,177	-
Net change in items other than those in shareholders' equity	-	-	-	-	-	-
Balance, March 31, 2024	639,822	¥ 161,957	¥ 301,318	¥ 1,903,326	¥ (88,320)	¥ 2,278,281

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year Ended March 31, 2024

Millions of yen

	Accumulated other comprehensive income				Total accumulated other comprehensive income	Non- controlling interests	Total net assets
	Unrealized gain (loss) on securities	Deferred gain (loss) on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments			
Balance, April 1, 2022	¥ 64,017	¥ (860)	¥ 10,642	¥ 24,857	¥ 98,657	¥ 91,227	¥ 2,111,385
Issuance of common stock	-	-	-	-	-	-	291
Cash dividends	-	-	-	-	-	-	(86,089)
Profit attributable to owners of the parent	-	-	-	-	-	-	308,399
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	-	-	-	-	520
Land revaluation reserve	-	-	-	-	-	-	1,371
Purchase of treasury stock	-	-	-	-	-	-	(10)
Disposal of treasury stock	-	-	-	-	-	-	189
Cancellation of treasury stock	-	-	-	-	-	-	-
Changes arising from share exchanges	-	-	-	-	-	-	9,669
Net change in items other than those in shareholders' equity	(9,315)	742	(1,364)	39,650	29,712	13,474	43,186
Balance, April 1, 2023	54,701	(118)	9,277	64,508	128,369	104,701	2,388,914
Issuance of common stock	-	-	-	-	-	-	223
Cash dividends	-	-	-	-	-	-	(87,520)
Profit attributable to owners of the parent	-	-	-	-	-	-	298,752
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	-	-	-	-	(926)
Land revaluation reserve	-	-	-	-	-	-	(919)
Purchase of treasury stock	-	-	-	-	-	-	(87,171)
Disposal of treasury stock	-	-	-	-	-	-	0
Cancellation of treasury stock	-	-	-	-	-	-	-
Net change in items other than those in shareholders' equity	640	(1,798)	956	31,410	31,210	(18,801)	12,408
Balance, March 31, 2024	¥ 55,342	¥ (1,916)	¥ 10,234	¥ 95,919	¥ 159,580	¥ 85,900	¥ 2,523,762

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year Ended March 31, 2024

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Treasury stock <i>(Note 22)</i>	Total shareholders' equity
Balance, April 1, 2023	\$ 1,068,918	\$ 2,006,082	\$ 11,297,681	\$ (134,251)	\$ 14,238,438
Issuance of common stock	733	733	-	-	1,472
Cash dividends	-	-	(578,033)	-	(578,033)
Profit attributable to owners of the parent	-	-	1,973,132	-	1,973,132
Change in equity of parent arising from transaction with non-controlling shareholders	-	(6,115)	-	-	(6,155)
Land revaluation reserve	-	-	(6,069)	-	(6,069)
Purchase of treasury stock	-	-	-	(575,728)	(575,728)
Disposal of treasury stock	-	0	-	0	0
Cancellation of treasury stock	-	(10,620)	(116,035)	126,656	-
Net change in items other than those in shareholders' equity	-	-	-	-	-
Balance, March 31, 2024	\$ 1,069,658	\$ 1,990,079	\$ 12,570,675	\$ (583,316)	\$ 15,047,097

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year Ended March 31, 2024

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income				Total accumulated other comprehensive income	Non- controlling interests	Total net assets
	Unrealized gain (loss) on securities	Deferred gain (loss) on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments			
Balance, April 1, 2023	\$ 361,277	\$ (779)	\$ 61,270	\$ 426,048	\$ 847,823	\$ 691,506	\$ 15,777,782
Issuance of common stock	-	-	-	-	-	-	1,472
Cash dividends	-	-	-	-	-	-	(578,033)
Profit attributable to owners of the parent	-	-	-	-	-	-	1,973,132
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	-	-	-	-	(6,115)
Land revaluation reserve	-	-	-	-	-	-	(6,069)
Purchase of treasury stock	-	-	-	-	-	-	(575,728)
Disposal of treasury stock	-	-	-	-	-	-	0
Cancellation of treasury stock	-	-	-	-	-	-	-
Net change in items other than those in shareholders' equity	4,226	(11,875)	6,313	207,449	206,129	(124,172)	81,949
Balance, March 31, 2024	\$ 365,510	\$ (12,654)	\$ 67,591	\$ 633,505	\$ 1,053,959	\$ 567,333	\$ 16,668,397

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Operating activities:			
Profit before income taxes	¥ 455,834	¥ 440,496	\$ 3,010,593
Adjustments for:			
Depreciation	117,204	113,464	774,083
Increase (decrease) in liability for employees' retirement benefits	(41,198)	(90,260)	(272,095)
Interest and dividend income	(8,441)	(7,537)	(55,749)
Interest expense	31,531	18,836	208,249
Equity in losses (earnings) of affiliates	(2,411)	(844)	(15,923)
Net loss (gain) on sales and disposal of property, plant and equipment	(4,124)	167	(27,237)
Impairment loss	10,826	11,271	71,501
Loss (gain) on revaluation of investments in securities	1,423	498	9,398
Decrease (increase) in trade receivables	(40,642)	(43,375)	(268,423)
Decrease (increase) in inventories	(101,370)	(230,373)	(669,506)
Increase (decrease) in advances received	(39,469)	(61,274)	(260,676)
Increase (decrease) in advances received on construction projects in progress	11,275	44,637	74,466
Increase (decrease) in trade payables	(22,247)	19,370	(146,932)
Other	63,631	134,875	420,256
Subtotal	<u>431,821</u>	<u>349,951</u>	<u>2,851,997</u>
Interest and dividends received	11,502	10,718	75,965
Interest paid	(29,374)	(16,625)	(194,003)
Income taxes paid	(111,655)	(113,745)	(737,434)
Net cash provided by (used in) operating activities	<u>302,294</u>	<u>230,298</u>	<u>1,996,525</u>
Investing activities:			
Purchases of property, plant and equipment and intangible assets	(356,048)	(486,516)	(2,351,548)
Proceeds from sales of property, plant and equipment	12,670	7,894	83,680
Purchases of investment securities	(11,213)	(11,845)	(74,057)
Proceeds from sales and redemption of investment securities	43,747	14,743	288,930
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(14,950)	(17,230)	(98,738)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation (Note 28)	(28,108)	(2,313)	(185,641)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	45,241	-	298,797
Proceeds from collection of leasehold and guarantee deposits	18,965	22,432	125,255
Payments of leasehold and guarantee deposits	(18,048)	(24,190)	(119,199)
Other	(2,674)	(8,156)	(17,660)
Net cash provided by (used in) investing activities	<u>¥ (310,419)</u>	<u>¥ (505,181)</u>	<u>\$ (2,050,188)</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year Ended March 31, 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Financing activities:			
Net increase (decrease) in short-term bank loans	¥ 9,305	¥ (23,372)	\$ 61,455
Proceeds from long-term debt – Loans from banks	390,513	433,846	2,579,175
Repayments of long-term debt – Loans from banks	(354,719)	(201,940)	(2,342,771)
Proceeds from issuance of bonds	300,000	201,000	1,981,375
Redemption of bonds	(50,000)	(25,000)	(330,229)
Repayments of finance lease obligations	(9,168)	(8,350)	(60,550)
Proceeds from share issuance to non-controlling shareholders	4,616	1,858	30,486
Purchase of treasury stock	(87,171)	(10)	(575,728)
Proceeds from disposal of treasury stock	0	189	0
Dividends paid	(87,520)	(86,089)	(578,033)
Dividends paid to non-controlling shareholders	(2,131)	(7,028)	(14,074)
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	(1,440)	(2,939)	(9,510)
Other	(14,884)	5,289	(98,302)
Net cash provided by (used in) financing activities	<u>97,399</u>	<u>287,452</u>	<u>643,279</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,144</u>	<u>5,809</u>	<u>27,369</u>
Net increase (decrease) in cash and cash equivalents	93,418	18,379	616,986
Cash and cash equivalents at the beginning of the year	346,154	326,250	2,286,203
Increase in cash and cash equivalents from a newly consolidated subsidiary	<u>–</u>	<u>1,524</u>	<u>–</u>
Cash and cash equivalents at the end of the year (Note 28)	<u>¥ 439,572</u>	<u>¥ 346,154</u>	<u>\$ 2,903,190</u>

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2024

1. Summary of Significant Accounting Policies

a. Basis of preparation

The accompanying consolidated financial statements of Daiwa House Industry Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The consolidated financial statements as of March 31, 2024 include the accounts of the Company and its 447 (432 in 2023) significant subsidiaries. Osaka Castle Park Management Co., Ltd. was not consolidated, though the Company owns a majority of its voting rights, because the joint arrangement specifies that unanimous consent of the parties is required to determine the significant financial and business policies.

During the year ended March 31, 2024, 51 subsidiaries were included in the consolidation as a result of acquisition and others, and 36 subsidiaries were excluded from the consolidation as a result of liquidation and others.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

b. Principles of consolidation (continued)

In the year ended March 31, 2024, Cosmos Initia Co., Ltd. has changed from being a consolidated subsidiary to being an affiliated company accounted for by the equity method, as the Company sold part of its shares of Cosmos Initia Co., Ltd.

Investments in affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method.

Investments in 49 (54 in 2023) affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method. During the year ended March 31, 2024, 4 affiliates were included in and 9 affiliates were excluded from affiliates that are accounted for by the equity method.

With respect to investments in an affiliate, Kofu Public Service Co., Ltd. was excluded from equity-method application as a result of its liquidation. All remaining affiliates are accounted for by the equity method.

For consolidation purposes, the financial statements of all significant subsidiaries whose balance sheet dates are prior to December 31, were prepared based on a provisional financial statement as of December 31, January 31 or February 29. The financial statements of all significant subsidiaries whose balance sheet dates are on or after December 31, were prepared based on the accounts of their own balance sheet date. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from their balance sheet dates through March 31 have been adjusted, if necessary.

c. Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income. All assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the current exchange rate during the year. Differences arising from the translations are included in “Foreign currency translation adjustments” and “Non-controlling interests” in the accompanying consolidated balance sheet.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

d. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

e. Investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Securities classified as other securities other than securities without quoted market price are stated at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Securities without quoted market price classified as other securities are carried at cost determined by the moving average method. For other than temporary declines in fair value, investment securities are reduced to net realize value by a charge to income.

f. Inventories

Real estate for sale, construction projects in progress, real estate for sale in process, work in progress and land (for sales, under development and undeveloped) are stated at the lower of cost or net selling value, cost being determined by the individual cost method. Construction materials and supplies are stated at the lower of cost or net selling value, cost being determined by the average method. Merchandise and products are stated at the lower of cost or net selling value, cost generally being determined by the retail method.

g. Property, plant and equipment

Depreciation of property, plant and equipment is calculated principally by the declining-balance method based on the estimated useful lives and the residual value determined by the Group, except for certain buildings of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

g. Property, plant and equipment (continued)

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease term to a nil residual value by the straight-line method. As allowed under accounting standard for lease, the Group continues to account for leases on or before March 31, 2008 that do not transfer ownership of the leased property to the lessee as operating lease transactions.

h. Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

i. Goodwill

Goodwill is amortized by the straight-line method over the estimated useful life not exceeding 20 years. However, immaterial amounts of goodwill are charged to profit or loss in the year of acquisition.

j. Land revaluation

As of March 31, 2002, the Company and certain domestic subsidiaries revalued its land at fair value, pursuant to Article 2 of the “Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land” and its amendments. The related unrealized gain, net of applicable income taxes, has been recorded as “Land revaluation reserve” in net assets.

As of March 31, 2024 and 2023, the difference is not presented as the market value of land subject to revaluation exceeded the carrying amount of the land after the above revaluation.

k. Impairment loss

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

l. Retirement benefits

Accrued retirement benefits have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method. Actuarial gains and losses and past service costs are recognized in profit or loss in the period in which the gains and losses are incurred.

m. Revenue recognition

(a) Revenue from contracts with customers

The main performance obligations in key businesses of the Group concerning revenue from contracts with customers and the typical timing for satisfying such performance obligations (that is, when revenue is recognized) are summarized as follows:

(1) Ordered contract transactions

With respect to ordered contract transactions, the Group concludes construction contracts with customers for single-family houses, rental housing, commercial facilities, logistics, business and corporate facilities and others and has an obligation to perform construction works based on the construction contracts. The Group determines that the performance obligations are satisfied over a certain period of time and recognizes revenues based on the progress of fulfillment of performance obligations.

The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs).

With respect to construction contracts for which the progress cannot be reasonably estimated but the costs incurred in fulfilling the performance obligation are expected to be recovered, revenue is recognized based on a cost recovery method until such time when the progress of fulfillment of performance obligation can be reasonably estimated.

(2) Real estate sales transactions

With respect to real estate transactions, the Group has an obligation to transfer properties developed or purchased by the Group (such as single-family houses, rental housing, condominiums, commercial facilities, and logistics, business and corporate facilities) based on real estate sales contracts with customers. Revenues are recognized at the time of transfer of properties to the customers.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

m. Revenue recognition (continued)

(b) Revenue from finance lease transactions

Revenue from finance lease and related costs are recognized upon receipt of lease payments.

n. Income taxes

Income taxes are calculated based on taxable income and are determined in accordance with the applicable tax laws and charged to income on an accrual basis. Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

o. Consumption taxes

Consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan are principally charged to income when incurred.

p. Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

q. Derivative financial instruments

The Group enters into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Foreign currency forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks.

i) Hedge accounting method

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to profit or loss, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

q. Derivative financial instruments (continued)

i) Hedge accounting method (continued)

When foreign currency forward contracts and currency swap meet certain criteria, receivables and payables covered by the contracts are translated at the contracted rates (“allocation method”).

Interest-rate swaps that meet special matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income (“special treatment”).

ii) Hedging instruments and hedged items

Hedging instruments : Interest rate swap contracts
Currency swap contracts
Foreign currency forward contracts and others

Hedged items : Loans
Bonds
Forecast transactions denominated in foreign currencies and others

iii) Hedging policy

Derivative transactions are used to mitigate the risk of adverse fluctuations in interest rates, foreign currency exchange and improve financial cash flows.

iv) Assessing hedge effectiveness

The Group evaluates hedge effectiveness by comparing changes in market fluctuations or in cumulative cash flows of the hedged items with the corresponding changes in the hedging derivative instruments and using the ratio of the fluctuations. However, the evaluation of hedge effectiveness is omitted for interest rate swaps for which special treatment is applied when the substantial terms and conditions of the hedging instruments and the hedged forecasted transactions are the same.

Hedge transactions under “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

q. Derivative financial instruments (continued)

iv) Assessing hedge effectiveness(continued)

On March 17, 2022, the Accounting Standards Board of Japan (“ASBJ”) issued “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issues Task Force (“PITF”) No.40). PITF No.40 allows an entity to assume that the basic interest rate applicable to the interest rate swaps that meets special matching criteria does not change after the discontinuation of LIBOR. The Group applied the exceptional treatment described in PITF No.40 to all hedge transactions that reference LIBOR and details of those hedge transactions are as follows.

① Hedge accounting method	Special treatment for interest rate swaps
② Hedging instruments	Interest rate swap contracts
③ Hedged items	Loans denominated in foreign currencies
④ Types of hedge transaction	Fixing cash flows

r. Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

s. Accrued bonuses

Accrued employees’ bonuses are provided at the estimated amount of bonuses to be paid to the employees in the following year.

t. Provision for warranties for completed construction

Provision for warranties for completed construction due to defect warranty and others is provided for anticipated future costs based on past experience arising from warranties for completed construction.

u. Provision for loss on construction contracts

For construction contracts in progress at the end of the year, where a loss is anticipated and the amount of such loss can be reasonably estimated, provision for loss on construction contracts is provided at the estimated amount of anticipated future loss.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

v. Significant accounting judgments, estimates and assumptions

(a) Revenues recognized based on the fulfillment of performance obligations over a certain period of time for construction contracts

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Sales recorded by the method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time	¥ 1,950,551	¥ 1,927,012	\$ 12,882,577

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The Group calculates revenues from construction contracts by the method of recognizing revenue over a certain period of time as performance obligations are fulfilled. The progress of fulfillment of performance obligations is estimated using the input method based on cost (percentage of cost incurred to total construction costs).

② Significant assumptions

Significant assumptions used to measure the total construction costs include the quantity of construction materials, labor hours, procurement unit price and others based on construction plans. These items are estimated based on specific factors such as the specifications and status of construction works and external factors such as economic conditions and business environment.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

v. Significant accounting judgments, estimates and assumptions (continued)

(a) Revenues recognized based on the fulfillment of performance obligations over a certain period of time for construction contracts (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements (continued)

③ Impact on the consolidated financial statements for the next year

The amount of revenue recognized in the consolidated financial statements for the year ending March 31, 2025 may be impacted by changes in the progress of the fulfillment of performance obligations if it becomes necessary to revise the total construction costs due to uncertain factors in the future such as delays in construction works and changes in material costs and construction costs during the construction works.

(b) Valuation of real estate for sale including real estate for sales in process and undeveloped land

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Real estate for sale in inventories	¥ 2,192,223	¥ 2,000,748	\$ 14,478,720
Loss on devaluation recognized in cost of sales	11,662	3,575	77,022

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

v. Significant accounting judgments, estimates and assumptions (continued)

(b) Valuation of real estate for sale including real estate for sales in process and undeveloped land (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The amount of real estate for sales are stated at the lower of cost or net selling value in accordance with “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9). The net selling value is measured based on the selling price used in the business plan at the time of the acquisition of land, commencement of constructions, the commencement of sales and others. The net selling value is revised based on the progress of the business plan and the status of sales activities. The net selling value for certain real estate for sale is measured considering appraisals conducted by real estate appraisers.

② Significant assumptions

Significant assumptions used to measure the net selling value are selling price and construction cost. Those are measured based on the latest business plan with sales records in the past, market trends, the balance between supply and demand in the neighborhood and fluctuation of construction costs such as raw material including steels and labor cost and others being considered. In order to make a business plan for investment and rental property intended for sales in the future, leasing prices and status of leasing activities in the neighborhood are also considered.

③ Impact on the consolidated financial statements for the next year

An incremental loss on devaluation may be recorded in case that net selling value is lower than the carrying amounts due to changes in the market environment, progress of the business plan and the status of sales activities.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

v. Significant accounting judgments, estimates and assumptions (continued)

(c) Valuation of fixed assets

- (1) Amounts presented in the consolidated financial statements for the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Property, plant and equipment, goodwill and intangible assets recognized in other assets	¥ 2,211,591	¥ 2,227,223	\$ 14,606,637
Impairment loss	10,826	11,271	71,501

- (2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The Group reviews fixed assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable value, which is the higher of the net selling value or value in use. Value in use is calculated at the discounted future cash flows. The net selling value is mainly measured considering appraisals conducted by real estate appraisers.

② Significant assumptions

Significant assumptions used to measure the future cash flows are business revenue and expenditures. Standard leasing prices in the market are affected by the location, size, similar transactions in the neighborhood, forecasts for the market and transaction records in the past and corresponding expense, occupancy ratio, discount rates and others are considered determining the accounting estimate.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

v. Significant accounting judgments, estimates and assumptions (continued)

(c) Valuation of fixed assets (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements (continued)

③ Impact on the consolidated financial statements for the next year

An incremental impairment loss may be recorded if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows of the asset or asset group due to changes in the business environment and others.

(d) Measurement of expense related to retirement benefit obligation

(1) Amounts recorded for the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Retirement benefit obligation	¥ 637,407	¥ 619,254	\$ 4,209,807

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

Certain companies within the Group have defined benefit plans. The retirement benefit obligation and corresponding service cost under defined benefit plans are measured by estimating expected amount of the retirement benefit payment by using the actuarial assumptions and discounting it over the prospective period until the payment.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

v. Significant accounting judgments, estimates and assumptions (continued)

(d) Measurement of expense related to retirement benefit obligation (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements (continued)

② Significant assumptions

Significant assumptions used to measure the retirement benefit obligation and corresponding service cost under defined benefit plans are the actuarial assumptions such as discount rates, expected rates of return on plan assets and expected rates of pay raises.

③ Impact on the consolidated financial statements for the next year

The amount of assets and liabilities for employees' retirement benefits and retirement benefit expense in the consolidated financial statements may be significantly impacted if any revision of the accounting estimate is required due to changes in uncertain economic conditions and others.

Actuarial gains and losses and past service costs are included in profit or loss in the period in which the gains and losses are recognized.

A sensitivity analysis related to changes in discount rates is provided in the table below, while other actuarial assumptions other than the discount rates remain constant. In the table, the negative amount represents a decrease in the retirement benefit obligation and the positive amount represents an increase in the retirement benefit obligation.

	Change in actuarial assumptions	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		2024	2023	2024
Discount rate	Increase by 0.5%	¥ (50,515)	¥ (49,432)	\$ (333,630)
	Decrease by 0.5%	57,595	56,454	380,390

The significant actuarial assumptions used to measure the retirement benefit obligation are presented in Note 11 "Retirement Benefit Plans".

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

w. Accounting standards issued but not yet effective

Accounting Standard for Current Income Taxes and others

- *Accounting Standard for Current Income Taxes
(ASBJ Guidance No. 27, October 28, 2022)*
- *Accounting Standard for Presentation of Comprehensive Income
(ASBJ Guidance No. 25, October 28, 2022)*
- *Implementation Guidance on Accounting Standard for Tax Effect Accounting
(ASBJ Guidance No. 28, October 28, 2022)*

(1) Overview

These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries when group taxation regime is applied.

(2) Scheduled date of adoption

The Group expects to adopt the accounting standards and the implementation guidance from the beginning of the year ending March 31, 2025.

(3) Impact of adoption of the accounting standards and implementation guidance

The impact of the adoption of the Accounting Standard for Current Income Taxes and others on its consolidated financial statements is immaterial.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounting Change

Change in Presentation

(Consolidated Balance Sheet)

In the year ended March 31, 2024 under review, “Provision for loss on construction contracts,” which was included in “Other current liabilities” under “Current liabilities” as of March 31, 2023, is now presented separately since it became more significant.

Therefore, items in the consolidated financial statements for the year ended March 31, 2023 have been reclassified to reflect this change in the presentation.

Consequently, ¥215,166 million previously presented in “Other current liabilities” under “Current liabilities” in the consolidated balance sheet as of March 31, 2023 has been reclassified as “Provision for loss on construction contracts” of ¥2,886 million and “Other current liabilities” of ¥212,280 million.

3. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥151.41 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2024. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Additional Information

(1) Capital contribution to a subsidiary

At the meeting of the Board of Directors held on June 29, 2023, the Company resolved a capital contribution into a wholly owned Australian subsidiary that will develop new real estate business opportunities in Melbourne, Australia. The capital contribution is scheduled to be made stepwise by June 2025, and before its completion, the subsidiary's equity capital will exceed one-tenth of the Company's total issued capital, making it a specified subsidiary.

a. Purpose of the capital contribution

To date, the Company's business has been concentrated in Sydney Australia, and the principal focus has been on developing its Single-family houses and its Condominiums.

This new investment will enable the Company to take advantage of opportunities related to the development of rental housing in Melbourne and positively contribute to partially relieving the current housing shortage, which is a current pressing social issue in Australia.

b. Outline of the subsidiary

1) Company name	DH MQW Pty Ltd
2) Location	North Sydney, New South Wales, Australia
3) Business description	Acquisition, operation and sales of real estate
4) Capital stock	250,500 thousand Australian dollars (¥22,467 million (\$148,385 thousand))
5) Date of establishment	June 23, 2023
6) Major shareholder and shareholding ratio	Daiwa House Australia Pty Ltd (wholly owned subsidiary of the Company) 100%

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Additional Information (continued)

(2) Establishment of a subsidiary

At the meeting of the Board of Directors held on August 7, 2023, the Company resolved to establish a subsidiary that will invest in condominium development opportunity in the United Kingdom. The capital contribution is scheduled to be made stepwise by June 2026, and before its completion, the subsidiary's equity capital will exceed one-tenth of the Company's total issued capital, making it a specified subsidiary.

a. Purpose of the establishment

Already in 2020, the Company established Daiwa House Europe B.V. in the Netherlands and entered the business in Europe. This new investment will enable the Company to take advantage of opportunities related to condominium development in the United Kingdom and positively contribute to partially relieving the housing shortage, which is a current pressing social issue in the United Kingdom.

b. Outline of the subsidiary

1) Company name	Elephant Park Plot H11b LLP
2) Location	London, the United Kingdom
3) Business description	Condominium development
4) Capital stock	179,850 thousand British pounds (¥32,828 million (\$216,815 thousand))
5) Date of establishment	August 30, 2023
6) Major shareholder and shareholding ratio	Daiwa House UK Limited (wholly owned subsidiary of Daiwa House Europe B. V., which is a wholly- owned subsidiary of the Company) 75.00%

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Marketable and Investment Securities

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities

Held-to-maturity debt securities

	<i>Millions of yen</i>		
	2024		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:			
Government bonds and others	¥ 709	¥ 711	¥ 2
Securities whose fair value does not exceed their carrying value:			
Government bonds and others	1	1	–
Total	¥ 710	¥ 712	¥ 2

	<i>Millions of yen</i>		
	2023		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:			
Government bonds and others	¥ 1,829	¥ 1,840	¥ 11
Securities whose fair value does not exceed their carrying value:			
Government bonds and others	0	0	–
Total	¥ 1,829	¥ 1,840	¥ 11

	<i>Thousands of U.S. dollars</i>		
	2024		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:			
Government bonds and others	\$ 4,682	\$ 4,695	\$ 13
Securities whose fair value does not exceed their carrying value:			
Government bonds and others	6	6	–
Total	\$ 4,689	\$ 4,702	\$ 13

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Marketable and Investment Securities (continued)

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities (continued)

Other Securities

	<i>Millions of yen</i>		
	2024		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 113,106	¥ 41,575	¥ 71,530
Other			
Preferred fund certificates	21,485	11,590	9,895
Investment trusts	8,306	7,558	748
Securities whose carrying value does not exceed their acquisition cost:			
Stock	8,670	8,889	(219)
Corporate bonds	3,649	3,718	(68)
Other			
Preferred fund certificates	–	–	–
Investment trusts	4	4	(0)
Total	<u>¥ 155,222</u>	<u>¥ 73,336</u>	<u>¥ 81,886</u>

Note: Unlisted stocks in the amount of ¥8,144 million (\$53,787 thousand) and investments in limited liability partnership and others in the amount of ¥13,532 million (\$89,373 thousand) are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) and Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021), respectively, therefore these items are not included “Other Securities” in the table above.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Marketable and Investment Securities (continued)

(1) Information regarding securities classified as held-to-maturity debt securities and other securities (continued)

	<i>Millions of yen</i>		
	2023		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 130,806	¥ 54,601	¥ 76,204
Other			
Preferred fund certificates	19,972	11,614	8,358
Investment trusts	5,144	4,519	624
Securities whose carrying value does not exceed their acquisition cost:			
Stock	8,011	9,880	(1,868)
Corporate bonds	10,398	12,718	(2,319)
Other			
Preferred fund certificates	16	16	–
Investment trusts	5	6	(1)
Total	<u>¥ 174,356</u>	<u>¥ 93,357</u>	<u>¥ 80,998</u>

Notes: Unlisted stocks in the amount of ¥8,888 million and investments in limited liability partnership and others in the amount of ¥13,017 million are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) and Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021), respectively, therefore these items are not included “Other Securities” in the table above.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Marketable and Investment Securities (continued)

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities (continued)

	<i>Thousands of U.S. dollars</i>		
	2024		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 747,018	\$ 274,585	\$ 472,425
Other			
Preferred fund certificates	141,899	76,547	65,352
Investment trusts	54,857	49,917	4,940
Securities whose carrying value does not exceed their acquisition cost:			
Stock	57,261	58,708	(1,446)
Corporate bonds	24,100	24,555	(449)
Other			
Preferred fund certificates	–	–	–
Investment trusts	26	26	(0)
Total	<u>\$ 1,025,176</u>	<u>\$ 484,353</u>	<u>\$ 540,822</u>

- (2) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
March 31, 2024			
Stock	¥ 31,818	¥ 16,602	¥ 17
March 31, 2023			
Stock	¥ 3,759	¥ 1,662	¥ 217
	<i>Thousands of U.S. dollars</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
March 31, 2024			
Stock	\$ 210,144	\$ 109,649	\$ 112

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Marketable and Investment Securities (continued)

(3) Impairment of investment securities

The impairment losses on investment securities classified as other securities for the years ended March 31, 2024 and 2023 were ¥1,423 million (\$9,398 thousand) and ¥498 million, stated as loss on revaluation of investments in securities in other expenses, respectively.

6. Investments in Affiliates

Investments in affiliates included in “Securities maturing within one year,” “Investment securities” and “Other assets” as of March 31, 2024 and 2023 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2024	2023	2024
Current portion of bonds of an affiliate	¥ –	¥ 2,240	\$ –
Shares of affiliates accounted for by the equity method	37,872	16,846	250,128
(Investment in jointly controlled entities included above)	(1,155)	(646)	(7,628)
Investments in preferred fund certificate of affiliates	9,605	7,443	63,437
Shares of affiliates which are not accounted for by the equity method	–	23	–
Bonds of an affiliate	–	4,480	–
Investments in capital of affiliates in other	1,330	1,436	8,784

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Inventories

Inventories at March 31, 2024 and 2023 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Real estate for sale	¥ 409,136	¥ 364,285	\$ 2,702,172
Construction projects in progress	53,849	49,993	355,650
Real estate for sale in process	288,812	325,007	1,907,482
Land held:			
For sale	1,341,402	1,146,951	8,859,401
Under development	160,676	173,014	1,061,198
Undeveloped	3,984	2,348	26,312
Merchandise, construction materials and others	29,902	30,076	197,490
Total	¥ 2,287,764	¥ 2,091,678	\$ 15,109,728

The Group manufactures and constructs prefabricated houses and structures and also engages in various contracted construction projects, primarily for the construction of large-scale commercial and residential buildings. To further its business, the Group purchases land for development and sale.

Loss on devaluation of inventories included in cost of sales for the years ended March 31, 2024 and 2023 was ¥11,662 million (\$77,022 thousand) and ¥3,575 million, respectively.

Land, buildings and structures and others held as investment and rental properties in the amount of ¥203,934 million (\$1,346,899 thousand) and ¥224,712 million, in property, plant and equipment in the consolidated balance sheets as of March 31, 2023 and 2022, respectively, have been reclassified to “Inventories” in current assets due to the change in holding purpose during the years ended March 31, 2024 and 2023.

8. Investment and Rental Property

The Group owns rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. The net of rental income and operating expenses, net gain on sales and disposal, and impairment loss for those rental properties were ¥21,784 million (\$143,874 thousand), ¥514 million (\$3,394 thousand) and ¥6,259 million (\$41,338 thousand), respectively, for the year ended March 31, 2024. The net of rental income and operating expenses, net gain on sales and disposal, and impairment loss for those rental properties were ¥19,124 million, ¥604 million and ¥5,867 million, respectively, for the year ended March 31, 2023.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Investment and Rental Property (continued)

The rental income for those rental properties was included in net sales. The operating expenses for those rental properties was included in cost of sales or selling, general and administrative expenses. The net gain on sales and disposal and impairment loss for those rental properties were included in other income (expenses).

In addition, the carrying value, changes in such amounts and fair value of such properties are as follows:

<i>Millions of yen</i>			
	Carrying value		Fair value
April 1, 2023	Increase/decrease	March 31, 2024	March 31, 2024
¥ 1,348,067	¥ (67,980)	¥ 1,280,086	¥ 1,472,318

<i>Millions of yen</i>			
	Carrying value		Fair value
April 1, 2022	Increase/decrease	March 31, 2023	March 31, 2023
¥ 1,285,559	¥ 62,508	¥ 1,348,067	¥ 1,530,441

<i>Thousands of U.S. dollars</i>			
	Carrying value		Fair value
April 1, 2023	Increase/decrease	March 31, 2024	March 31, 2024
\$ 8,903,421	\$ (448,979)	\$ 8,454,434	\$ 9,724,047

Notes: 1) Carrying value recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses included in property, plant and equipment.

2) Increase during the year ended March 31, 2024 primarily represents the acquisition of certain properties of ¥198,843 million (\$1,313,275 thousand) and decrease primarily represents depreciation of ¥38,069 million (\$251,429 thousand) and the transfer to inventories of ¥255,418 million (\$1,686,929 thousand).

3) Increase during the year ended March 31, 2023 primarily represents the acquisition of certain properties of ¥387,873 million and decrease primarily represents depreciation of ¥38,406 million and the transfer to inventories of ¥272,981 million.

4) The fair value of properties was primarily measured by the Group in accordance with its Real Estate Appraisal Standard including adjustments based on certain indexes.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Short-Term Bank Loans and Long-Term Debt

The annual weighted-average interest rates applicable to short-term bank loans as of March 31, 2024 and 2023 were 5.56% and 3.06%, respectively. The annual weighted-average interest rates applicable to current portion of long-term loans from banks as of March 31, 2024 and 2023 were 2.07% and 1.59%, respectively.

Long-term debt and loans from banks as of March 31, 2024 and 2023 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Bonds, –% to 2.00% (0.00% to 2.00% in 2023), due on various dates through 2059:			
Collateralized	¥ 1,000	¥ 1,000	\$ 6,604
Unsecured	508,000	458,000	3,355,128
Subordinated	150,000	150,000	990,687
With share acquisition rights	200,000	–	1,320,916
Loans from banks, 0.05% to 10.20% (0.05% to 7.00% in 2023), due on various dates through 2057:			
Collateralized	64,840	120,828	428,241
Unsecured	1,041,744	983,723	6,880,285
Obligations under finance leases, due on various date through 2056	116,341	105,494	768,383
Total	2,081,927	1,819,047	13,750,260
Less current portion	226,780	217,119	1,497,787
Long-term debt – net of current portion	¥ 1,855,146	¥ 1,601,927	\$ 12,252,466

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Short-Term Bank Loans and Long-Term Debt (continued)

(1) The description of bonds with share acquisition rights is as follows:

Issue name	Euro-yen Zero Coupon Convertible Bonds Subject to Call due 2029 (bonds with share acquisition rights)	Euro-yen Zero Coupon Convertible Bonds Subject to Call due 2030 (bonds with share acquisition rights)
Shares to be issued	Common stock	Common stock
Share acquisition right issue price	Gratis issue	Gratis issue
Share issue price	¥ 5,353 (\$35.35)	¥ 5,260 (\$34.74)
Total issue amount (Millions of yen)	¥ 100,000 (\$ 660,458 thousand)	¥ 100,000 (\$ 660,458 thousand)
Total amount of shares issued upon exercise of share acquisition rights (Millions of yen)	¥ –	¥ –
Grant percentage of share acquisition rights (%)	100%	100%
Exercise period of share acquisition rights	February 13, 2024 through March 16, 2029	February 13, 2024 through March 15, 2030

Note: When a bondholder of the bonds with share acquisition rights exercises the rights, the bond shall be contributed, and the amount is equal to the face amount.

(2) The aggregate annual maturities of long-term debt subsequent to March 31, 2024 were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2025	¥ 226,780	\$ 1,497,787
2026	301,484	1,991,176
2027	235,926	1,558,192
2028	267,363	1,765,821
2029	279,247	1,844,310
2030 and thereafter	771,123	5,092,946
Total	¥ 2,081,927	\$ 13,750,260

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Mortgaged and Pledged Assets

The assets pledged as collateral for short-term bank loans of ¥30,936 million (\$204,319 thousand) and ¥16,923 million, current portion of long-term bank loans of ¥23,365 million (\$154,316 thousand) and ¥16,761 million, other current liabilities of ¥1 million (\$6 thousand) and ¥1 million, long-term bank loans of ¥41,474 million (\$273,918 thousand) and ¥104,067 million and lease deposits received of ¥7 million (\$46 thousand) and ¥8 million as of March 31, 2024 and 2023, respectively, were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2024	2023	2024
Cash and bank deposits	¥ 1,715	¥ 3,443	\$ 11,326
Trade notes and accounts receivable	16,778	7,315	110,811
Mortgage notes receivable held for sale	24,062	14,995	158,919
Inventories:			
Real estate for sale	132,559	83,812	875,496
Real estate for sale in process	97,938	130,614	646,839
Other current assets	9,152	7,370	60,445
Land	8,397	8,173	55,458
Buildings and structures	9,318	4,660	61,541
Machinery, equipment and vehicles	–	1	–
Construction in progress	–	2,167	–
Other tangible assets	3	–	19
Total	¥ 299,927	¥ 262,553	\$ 1,980,892

The carrying amounts of assets pledged as collateral for guarantees of liabilities of investees as of March 31, 2024 and 2023 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2024	2023	2024
Investment securities	¥ 369	¥ 388	\$ 2,437
Short-term loans receivable in other current assets	1	1	6
Long-term loans receivable	6	7	39

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Mortgaged and Pledged Assets (continued)

The carrying amounts of assets pledged as collateral in substitutes for deposits of certain construction and advertisement contracts were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2024	2023	2024
Cash and bank deposits	¥ 75	¥ 284	\$ 495
Securities maturing within one year	0	0	0
Investments in capital in other assets	60	60	396

Securities maturing within one year deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥299 million (\$1,974 thousand) and ¥1,121 million as of March 31, 2024 and 2023, respectively.

Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥410 million (\$2,707 thousand) and ¥707 million as of March 31, 2024 and 2023, respectively.

Shares of consolidated subsidiaries used as collateral amounted to ¥199 million (\$1,314 thousand) and ¥218 million as of March 31, 2024 and 2023, respectively, which have been eliminated in the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefit Plans

The Company and certain subsidiaries have adopted funded defined benefit plans, unfunded retirement benefit plans and defined contribution plans. In certain cases, special retirement benefits may be paid to employees.

- (1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Balance at beginning of year	¥ 619,254	¥ 679,608	\$ 4,089,914
Service cost	24,546	29,489	162,116
Interest cost	8,879	5,502	58,642
Actuarial losses (gains)	3,237	(81,023)	21,379
Retirement benefits paid	(15,635)	(14,718)	(103,262)
Past service cost	(232)	275	(1,532)
Adjustments for business restructuring and others	(2,642)	120	(17,449)
Balance at end of year	¥ 637,407	¥ 619,254	\$ 4,209,807

- (2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Balance at beginning of year	¥ 515,636	¥ 485,854	\$ 3,405,561
Actuarial gains	42,797	15,908	282,656
Contributions from the employer	23,213	23,785	153,312
Retirement benefits paid	(10,743)	(9,911)	(70,953)
Adjustments for business restructuring and others	2,616	–	17,277
Balance at end of year	¥ 573,520	¥ 515,636	\$ 3,787,860

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefit Plans (continued)

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2024 and 2023, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Funded defined benefit obligation	¥ 533,978	¥ 515,888	\$ 3,526,702
Plan assets	(573,520)	(515,636)	(3,787,860)
	(39,541)	251	(261,151)
Unfunded defined benefit obligation	103,429	103,365	683,105
Net liabilities for retirement benefits in the balance sheet	¥ 63,887	¥ 103,617	\$ 421,947

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Liabilities for retirement benefits	¥ 103,003	¥ 103,617	\$ 680,291
Assets for employees' retirement benefits	(39,115)	–	(258,338)
Net liabilities for retirement benefits in the balance sheet	¥ 63,887	¥ 103,617	\$ 421,947

- (4) The components of retirement benefit expense for the years ended March 31, 2024 and 2023, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Service cost	¥ 24,546	¥ 29,489	\$ 162,116
Interest cost	8,879	5,502	58,642
Amortization of actuarial gain	(39,559)	(96,931)	(261,270)
Past service cost	(232)	275	(1,532)
Adjustments for business restructuring and others	(6,723)	–	(44,402)
Retirement benefit expense	¥ (13,089)	¥ (61,664)	\$ (86,447)

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefit Plans (continued)

(5) Plan assets

a. Components of plan assets

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Domestic debt instruments	1%	1%
Overseas debt instruments	6	6
Domestic stocks	11	9
Overseas stocks	7	7
Cash and bank deposits	10	12
Private equity fund	32	31
Hedge fund	14	14
General accounts	7	8
Others	12	12
Total	<u>100%</u>	<u>100%</u>

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(6) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	Principally 1.5%	Principally 1.5%
Expected rate of return on plan assets	0.0%	0.0%
Expected rate of pay raises	2.6%	2.6%

(7) Amortization of actuarial gain, past service cost and others for employees' retirement benefits

Amortization of actuarial gain, past service cost and others for employees' retirement benefits included in cost of sales and selling, general and administrative expenses was ¥46,515 million (\$307,212 thousand) and ¥96,656 million for the years ended March 31, 2024 and 2023, respectively.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefit Plans (continued)

(8) Defined contribution plans

Required contributions to defined contribution plans of the Company and its certain consolidated subsidiaries were ¥7,631 million (\$50,399 thousand) and ¥7,484 million for the years ended March 31, 2024 and 2023, respectively.

12. Asset Retirement Obligations

Asset retirement obligations are mainly consisted of the obligations to remove leasehold improvements attached to the rental property and return the property to its original state after vacating the premises.

The liability has been calculated with expected useful lives ranging from 0 to 63 years and discount rates ranging from 0.00% to 2.13%.

The changes in asset retirement obligations for the years ended March 31, 2024 and 2023 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Balance at beginning of year	¥ 62,140	¥ 59,045	\$ 410,408
Increase due to the acquisition of property, plant and equipment	4,639	4,186	30,638
Increase due to change in accounting estimates	915	–	6,043
Adjustment due to the elapse of time	680	728	4,491
Decrease due to fulfilment of asset retirement obligations	(2,880)	(1,819)	(19,021)
Balance at end of year	¥ 65,495	¥ 62,140	\$ 432,567

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Research and Development Costs

Research and development costs included in “Selling, general and administrative expenses” were ¥10,915 million (\$72,089 thousand) and ¥10,427 million for the years ended March 31, 2024 and 2023, respectively.

14. Gain (Loss) on Sales of Fixed Assets

Gain (loss) on sales of fixed assets for the years ended March 31, 2024 and 2023 consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Gain on sales of property, plant and equipment, and other assets:			
Buildings and structures	¥ 5,014	¥ 150	\$ 33,115
Machinery, equipment and vehicles	46	2,790	303
Tools, furniture and fixtures	2	8	13
Land	1,978	970	13,063
Intangible assets in other	208	14	1,373
Total	<u>¥ 7,249</u>	<u>¥ 3,935</u>	<u>\$ 47,876</u>
Loss on sales of property, plant and equipment, and other assets:			
Buildings and structures	¥ (93)	¥ (49)	\$ (614)
Machinery, equipment and vehicles	(5)	(2)	(33)
Tools, furniture and fixtures	(29)	(7)	(191)
Land	(19)	(8)	(125)
Construction in progress	–	(155)	–
Intangible assets in other	(0)	(0)	(0)
Total	<u>¥ (149)</u>	<u>¥ (223)</u>	<u>\$ (984)</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Impairment Loss

The Group classified fixed assets by managerial accounting unit such as branch office, location and individual property, which are utilized as a basis of continuous monitoring of revenue and expenditures. The carrying amounts of the below assets were written down to recoverable amounts due to decreases in the prices of real estate or significant declines in profitability caused by severe competition. The recoverable value of impaired fixed assets was mainly measured at net selling value. The net selling value amount is measured at appraisals in accordance with real estate appraisal standards or other means.

The Group recognized impairment losses of the following groups of assets for the years ended March 31, 2024 and 2023:

Use	Type of Assets	Location	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
			2024	2024
Real estate for lease	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, other tangible assets and intangible assets in other	Hiroshima Prefecture and others	¥ 7,449	\$ 49,197
Hotel	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, intangible assets in other	Hyogo Prefecture and others	61	402
Health and leisure facilities	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, intangible assets in other	Tokyo Prefecture and others	426	2,813
Offices, factories and others	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures	Okinawa Prefecture and others	217	1,433
Others	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, intangible assets in other	Kanagawa Prefecture and others	2,672	17,647
Total			¥ 10,826	\$ 71,501

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Impairment Loss (continued)

Use	Type of Assets	Location	<i>Millions of yen</i> 2023
Real estate for lease	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, construction in progress, other tangible assets and intangible assets in other	Aichi Prefecture and others	¥ 6,347
Hotel	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land and intangible assets in other	Osaka Prefecture and others	1,453
Health and leisure facilities	Leased assets	Tokyo Prefecture	377
Offices, factories and others	Buildings and structures, tools, furniture and fixtures, land, leased assets and intangible assets in other	Shizuoka Prefecture and others	2,394
Others	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, intangible assets in other and investments and other assets in other	Australia and others	698
Total			¥ 11,271

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Provision for Loss on Construction Contracts

(1) Provision for loss on construction contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2024 and 2023 was ¥7,235 million (\$47,784 thousand) and ¥2,870 million, respectively.

(2) Change in presentation

Effective from the year ended March 31, 2024, provision for loss on construction contracts included in cost of sales has been disclosed in the notes to the consolidated financial statements since it became more quantitatively significant. Therefore, the respective amount for the year ended March 31, 2023 has been disclosed in the notes to reflect this change in the presentation.

17. Gain on Sales of Stocks of Subsidiaries and Affiliates

Gain on sales of stocks of subsidiaries and affiliates for the year ended March 31, 2024 was recognized due to transfer of all shares of the Company's former consolidated subsidiary, Daiwa Resort CO., LTD.

18. Loss on Sales of Stocks of Subsidiaries and Affiliates

Loss on sales of stocks of subsidiaries and affiliates for the year ended March 31, 2024 was due to the transfer of part of the shares of Cosmos Initia Co., Ltd., which was a consolidated subsidiary of the Company.

19. Tenant Compensation Expenses

Expenses arising when tenants vacate a property recorded in other expenses in the consolidated statement of income for the year ended March 31, 2023 consist of payments of compensation and others for tenants vacating the property due to the reconstruction of Osaka Marubiru.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 31% for the years ended March 31, 2024 and 2023. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The significant components of the Group's deferred tax assets (liabilities) at March 31, 2024 and 2023 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Deferred tax assets:			
Loss on valuation of real estate for sale	¥ 3,754	¥ 4,883	\$ 24,793
Accrued bonuses	19,484	18,199	128,683
Accrued enterprise tax	5,639	4,464	37,243
Liabilities for employees' retirement benefits	27,302	32,654	180,318
Unrealized gains on property, plant and equipment by consolidation	14,660	15,029	96,823
Excess of depreciation of property, plant and equipment	26,733	29,737	176,560
Impairment loss	11,933	16,784	78,812
Tax loss carryforwards	26,851	29,679	177,339
Other	85,097	95,689	562,030
Total of tax loss carryforwards and temporary differences	221,458	247,123	1,462,637
Less valuation allowance	(54,290)	(64,022)	(358,562)
Deferred tax assets	167,167	183,100	1,104,068
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(2,284)	(2,333)	(15,084)
Net unrealized gain on securities	(23,357)	(23,724)	(154,263)
Other	(48,376)	(37,694)	(319,503)
Deferred tax liabilities	(74,018)	(63,751)	(488,858)
Net deferred tax assets	¥ 93,149	¥ 119,349	\$ 615,210

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes(continued)

A reconciliation between the statutory tax rate and the effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Statutory tax rate	30.6%	30.6%
Effect of:		
Non-deductible expenses for tax purpose	0.4	0.8
Per capita portion of inhabitant tax	0.3	0.4
Equity in earnings of affiliates	(0.2)	(0.1)
Change in valuation allowances	1.8	(1.8)
Expiration of tax loss carry forwards	0.0	0.5
Tax credits	(0.6)	(0.6)
Reversal of land revaluation reserve	(0.1)	(0.1)
Other	1.9	(1.4)
Effective tax rates	<u>34.1%</u>	<u>28.3%</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Unrealized gain (loss) on securities:			
Amount arising during the year	¥ 16,847	¥ (12,246)	\$ 111,267
Reclassification adjustments	(16,441)	(1,377)	(108,585)
Amount before tax effect	405	(13,623)	2,674
Tax effect	234	4,306	1,545
Unrealized gain (loss) on securities	640	(9,317)	4,226
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(2,590)	1,067	(17,105)
Amount before tax effect	(2,590)	1,067	(17,105)
Tax effect	792	(324)	5,230
Deferred gain (loss) on hedging instruments:	(1,798)	742	(11,875)
Land revaluation reserve:			
Tax effect	37	6	244
Foreign currency translation adjustments:			
Amount arising during the year	35,365	50,272	233,571
Reclassification adjustments	(135)	(204)	(891)
Foreign currency translation adjustments:	35,230	50,068	232,679
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	342	698	2,258
Reclassification adjustments	1	(5,133)	6
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:	343	(4,434)	2,265
Total other comprehensive income	¥ 34,452	¥ 37,065	\$ 227,541

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Net Assets

Shareholders' equity

The Companies Act of Japan (the "Act") requires the Company to transfer an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The Company's legal reserve included in retained earnings at March 31, 2024 and 2023 amounted to ¥17,690 million (\$116,835 thousand). Under the Act, upon the issuance and sales of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

Shares issued and outstanding / treasury stock

For the year ended March 31, 2024

Types of shares	<i>Thousands of shares</i>			Number of shares as of March 31, 2024
	Number of shares as of April 1, 2023	Increase	Decrease	
Shares issued:				
Common stock (Notes 1 and 2)	666,290	60	7,000	659,351
Treasury stock:				
Common stock (Notes 3 and 4)	7,419	19,109	7,000	19,529

Notes: 1) Details of the increase are as follows:

	<i>Thousands of shares</i>
Increase due to issuance of common stock as restricted stock awards	60

2) Details of the decrease are as follows:

	<i>Thousands of shares</i>
Decrease due to cancellation of treasury stock	7,000

3) Details of the increase are as follows:

	<i>Thousands of shares</i>
Increase due to purchase of the treasury stock approved by resolution of the Board of Directors	19,105
Increase due to purchase of shares of less than standard unit	3

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Net Assets (continued)

Shares issued and outstanding / treasury stock (continued)

4) Details of the decrease are as follows:

	<u>Thousands of shares</u>
Decrease due to sale of shares less than one unit by the Company	0
Decrease due to cancellation of treasury stock	7,000

For the year ended March 31, 2023

Types of shares	<u>Thousands of shares</u>			Number of shares as of March 31, 2023
	Number of shares as of April 1, 2022	Increase	Decrease	
Shares issued:				
Common stock (Notes 1 and 2)	666,238	90	38	666,290
Treasury stock:				
Common stock (Notes 3, 4 and 5)	10,570	3	3,153	7,419

Notes:1) Details of the increase are as follows:

	<u>Thousands of shares</u>
Increase due to issuance of common stock as restricted stock awards	90

2) Details of the decrease are as follows:

	<u>Thousands of shares</u>
Decrease due to cancellation of treasury stock	38

3) Details of the increase are as follows:

	<u>Thousands of shares</u>
Increase due to purchase of shares of less than standard unit	3

4) Details of the decrease are as follows:

	<u>Thousands of shares</u>
Decrease due to sale of shares less than one unit by the Company	0
Decrease due to third party share issuance to the trust for delivery of shares to directors	23
Decrease due to cancellation of treasury stock	38
Decrease due to changes by share exchanges	3,092

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Net Assets (continued)

Shares issued and outstanding / treasury stock (continued)

- 5) The numbers of shares (61 thousand) held by the trust for delivery of shares to directors as of April 1, 2022 were included in the number of shares of treasury stock. The trust for delivery of shares to directors was terminated in August 2022.

Stock Acquisition Rights

Not applicable

Dividends paid

For the year ended March 31, 2024

<u>Resolution</u>	<u>Types of shares</u>	<u>Total dividends (Millions of yen)</u>	<u>Total dividends (Thousands of U.S. dollars)</u>	<u>Dividends per share (Yen)</u>	<u>Dividends per share (U.S. dollars)</u>	<u>Record date</u>	<u>Effective date</u>
Shareholders' meeting held on June 29, 2023	Common stock	¥ 46,120	\$ 304,603	¥ 70.0	\$ 0.46	March 31, 2023	June 30, 2023
Meeting of the Board of Directors held on November 10, 2023	Common stock	¥ 41,399	\$ 273,423	¥ 63.0	\$ 0.41	September 30, 2023	December 5, 2023

For the year ended March 31, 2023

<u>Resolution</u>	<u>Types of shares</u>	<u>Total dividends (Millions of yen)</u>	<u>Dividends per share (Yen)</u>	<u>Record date</u>	<u>Effective date</u>
Shareholders' meeting held on June 29, 2022	Common stock	¥ 46,556	¥ 71.0	March 31, 2022	June 30, 2022
Meeting of the Board of Directors held on November 10, 2022	Common stock	¥ 39,532	¥ 60.0	September 30, 2022	December 5, 2022

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Amounts Per Share

Basic profit per share is computed by dividing profit attributable to owners of the parent by the weighted-average number of common shares outstanding for the year.

Amounts per share as of and for the years ended March 31, 2024 and 2023 were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Profit attributable to owners of parent:			
Basic	¥ 457.16	¥ 469.12	\$ 3.01
Net assets	3,810.21	3,466.86	25.16

The average number of shares outstanding for the years ended March 31, 2024 and 2023 was 653,501 thousand shares and 657,404 thousand shares, respectively.

Diluted profit per share is not presented because there were no potential shares outstanding for the year ended March 31, 2023. Diluted profit per share is not presented because there were no potential shares with dilutive effect outstanding for the year ended March 31, 2024.

In addition, Euro-yen zero coupon convertible bonds with share acquisition rights subject to call due 2029 (face value: ¥100,000 million and number of share acquisition rights: 10,000) and Euro-yen zero coupon convertible bonds with share acquisition rights subject to call due 2030 (face value: ¥100,000 million and number of share acquisition rights: 10,000) are excluded from the computation of diluted profit per share, since such bonds do not have a dilutive effect.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Leases

Finance leases:

(Lessee)

The Group leases certain city hotels, commercial facilities, city hotel equipment, system server, computer equipment and intangible assets in other assets.

Pro forma information of leased property whose lease inception was on or before March 31, 2008

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee whose lease inception was on or before March 31, 2008 to continue to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the consolidated financial statements. The Group applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information regarding leased property whose lease inception was on or before March 31, 2008 was as follows:

	<i>Millions of yen</i>		
	2024		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	¥ 89,458	¥ 59	¥ 89,517
Accumulated depreciation	(69,400)	(52)	(69,452)
Accumulated impairment loss	(1,324)	–	(1,324)
Net leased property	<u>¥ 18,733</u>	<u>¥ 7</u>	<u>¥ 18,741</u>
	<i>Millions of yen</i>		
	2023		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	¥ 111,418	¥ 59	¥ 111,478
Accumulated depreciation	(86,245)	(49)	(86,294)
Accumulated impairment loss	(2,219)	–	(2,219)
Net leased property	<u>¥ 22,953</u>	<u>¥ 10</u>	<u>¥ 22,963</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Leases (continued)

Finance leases: (continued)

	<i>Thousands of U.S. dollars</i>		
	2024		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	\$ 590,832	\$ 389	\$ 591,222
Accumulated depreciation	(458,358)	(343)	(458,701)
Accumulated impairment loss	(8,744)	–	(8,744)
Net leased property	<u>\$ 123,723</u>	<u>\$ 46</u>	<u>\$ 123,776</u>

Future minimum lease payments subsequent to March 31, 2024 for finance leases were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2024	2024
2025	¥ 4,930	\$ 32,560
2026 and thereafter	18,565	122,614
Total	<u>¥ 23,495</u>	<u>\$ 155,174</u>

The allowance for impairment loss on leased property of ¥922 million (\$6,089 thousand) and ¥1,025 million as of March 31, 2024 and 2023, respectively, is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases for the years ended March 31, 2024 and 2023, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Lease payments	¥ 7,446	¥ 9,771	\$ 49,177
Reversal of allowance for impairment loss on leased property	246	411	1,624
Depreciation expense	4,411	5,783	29,132
Interest expense	1,996	2,566	13,182
Impairment loss	143	39	944

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Leases (continued)

Finance leases: (continued)

(Lessor)

The net investments in leases as of March 31, 2024 and 2023, were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Gross lease receivables	¥ 103,003	¥ 85,679	\$ 680,291
Unguaranteed residual values	2,237	2,231	14,774
Unearned interest income	(31,772)	(28,705)	(209,840)
Investments in leases, current	¥ 73,468	¥ 59,204	\$ 485,225

Contractual maturities of lease receivables from finance lease transactions subsequent to March 31, 2024 in which the ownership of the leased assets is transferred to the lessee are as follows:

<u>Years Ending March 31</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2025	¥ 10,482	\$ 69,229
2026	10,398	68,674
2027	9,528	62,928
2028	7,960	52,572
2029	5,972	39,442
2030 and thereafter	19,243	127,092
Total	¥ 63,586	\$ 419,959

Contractual maturities of the above gross lease receivables subsequent to March 31, 2024 in which the ownership of the leased assets is not transferred to the lessee are as follows:

<u>Years Ending March 31</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2025	¥ 14,194	\$ 93,745
2026	13,086	86,427
2027	11,361	75,034
2028	9,179	60,623
2029	7,891	52,116
2030 and thereafter	47,290	312,330
Total	¥ 103,003	\$ 680,291

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Leases (continued)

Operating Leases:

(Lessee)

Future minimum lease payments subsequent to March 31, 2024 for noncancelable operating leases were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2024	2024
2025	¥ 79,822	\$ 527,191
2026 and thereafter	674,794	4,456,733
Total	¥ 754,616	\$ 4,983,924

Lease transactions of lessees subject to IFRS 16 and ASC 842 “Leases” for overseas subsidiaries, were not included in the above amount for the year ended March 31, 2024.

(Lessor)

Future minimum lease income subsequent to March 31, 2024 for noncancelable operating lease were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2024	2024
2025	¥ 15,638	\$ 103,282
2026 and thereafter	288,560	1,905,818
Total	¥ 304,199	\$ 2,009,107

Penalty income for early cancelation is included in the amount for 2026 and thereafter.

25. Contingent Liabilities

As of March 31, 2024 and 2023, the Group had the following contingent liabilities:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Trade notes receivable discounted	¥ –	¥ 10	\$ –
Electronically recorded monetary claims discounted	269	–	1,776
Guarantees and similar items of bank loans:			
House purchasers’ loans from banks	12,388	17,157	81,817
Loans of affiliates from banks	36,632	8,740	241,939

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group manages cash surpluses mainly through low-risk financial assets. The Group raises funds mainly through bank loans and direct finance such as issuance of bonds and commercial paper. The Group enters into derivative transactions for the purpose of managing exposure to financial risks and does not enter into derivative transactions for speculative or trading purposes.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as trade notes and accounts receivable and lease deposits, are exposed to customer credit risk. The Group manages its credit risk by monitoring payment status, payment due and balances by customers to identify the default risk such as making financial positions of customers worse at an early stage.

Marketable and investment securities, such as stock, certificates of deposit, debt securities, investment trusts and investments in capital of partnership, are exposed to issuers' credit risk and market price fluctuation risk. The Group manages its credit risk and market price fluctuation risk by monitoring market values and the financial position of issuers and reviews the holding status on a regular basis with considering the business relationships with issuers.

Payment terms of payables, such as trade notes and accounts payable, are mainly less than one year. Lease deposits received consist mainly of the deposits of the real estate business. The loans from banks and bonds are used mainly for investment in plant, equipment and leased property. Some of such bank loans and payables are exposed to liquidity risk. The Group manages liquidity risk by maintaining appropriate amounts of liquid assets along with sufficient financial planning by the financial department of the Group based on the reports from each section and consolidated subsidiaries.

Loans with floating interest rates from banks and foreign currency receivables and payables denominated in foreign currencies are exposed to the fluctuation risks of interest rate or exchange rate. Derivative transactions such as interest swap contracts, foreign currency swap contracts and foreign currency forward contracts are used for certain transactions as heading instruments by individual contracts. Certain consolidated subsidiaries utilize bond future contracts to hedge interest fluctuation risk of loans.

The Group enters into derivative transactions described above based on internal guidelines. To minimize credit risks, the counterparties to those derivatives are mainly limited to major international financial institutions with higher credit ratings and status of derivative transactions are reported to and obtained approvals by Director of the Financing Department on a regular basis. Please see Note 1 "q. Derivative financial instruments".

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures (continued)

(3) Supplemental information for fair values of financial instruments

As various factors are incorporated into fair value calculations, the resulting values may vary if different assumptions are used. In addition, the contract amounts as shown in Note 27 “Derivatives” do not indicate the market risk associated with derivative transactions.

The carrying values of financial instruments on the accompanying consolidated balance sheets as of March 31, 2024 and 2023 and their estimated fair values are shown in the following table. The following table does not include stocks with no market prices and investments in limited liability partnership and others.

Cash and bank deposits, trade notes and accounts payables, payables-other, short-term bank loans, and income taxes payable are omitted since they are cash, or their fair values approximate their carrying values because of their short-term maturities.

	<i>Millions of yen</i>		
	2024		
	Carrying value	Fair value	Difference
Assets			
Trade notes and accounts receivable	¥ 225,348	¥	¥
Allowance for doubtful accounts (*1)	(1,470)		
	223,877	222,621	(1,255)
Marketable and investment securities:			
Held-to-maturity debt securities	710	712	2
Investments in affiliated companies	17,437	12,583	(4,854)
Other securities	155,222	155,222	-
Lease deposits	252,587	238,208	(14,379)
Total assets	¥ 649,836	¥ 629,349	¥ (20,487)
Liabilities			
Long-term debt:			
Bonds	¥ 859,000	¥ 850,560	¥ (8,439)
Loans from banks	1,106,585	1,081,884	(24,701)
Lease deposits received	303,547	282,971	(20,575)
Total liabilities	¥ 2,269,132	¥ 2,215,415	¥ (53,716)
Derivative transactions (*2)	¥ 4,793	¥ 4,793	¥ -

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures (continued)

(3) Supplemental information for fair values of financial instruments (continued)

	<i>Millions of yen</i>		
	2023		
	Carrying value	Fair value	Difference
Assets			
Trade notes and accounts receivable	¥ 194,066	¥	¥
Allowance for doubtful accounts (*1)	(1,241)		
	<u>192,824</u>	<u>192,234</u>	<u>(590)</u>
Marketable and investment securities:			
Held-to-maturity debt securities	1,829	1,840	11
Other securities	174,356	174,356	–
Lease deposits	256,582	246,758	(9,824)
Total assets	<u>¥ 625,593</u>	<u>¥ 615,189</u>	<u>¥ (10,403)</u>
Liabilities			
Long-term debt:			
Bonds	¥ 609,000	¥ 602,307	¥ (6,692)
Loans from banks	1,104,552	1,092,929	(11,623)
Lease deposits received	307,593	291,248	(16,344)
Total liabilities	<u>¥ 2,021,146</u>	<u>¥ 1,986,485</u>	<u>¥ (34,661)</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures (continued)

(3) Supplemental information for fair values of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	2024		
	Carrying value	Fair value	Difference
Assets			
Trade notes and accounts receivable	\$ 1,488,329	\$	\$
Allowance for doubtful accounts (*1)	(9,708)		
	<u>1,478,614</u>	<u>1,470,319</u>	<u>(8,288)</u>
Marketable and investment securities:			
Held-to-maturity debt securities	4,689	4,702	13
Investments in affiliated companies	115,164	83,105	(32,058)
Other securities	1,025,176	1,025,176	–
Lease deposits	1,668,231	1,573,264	(94,967)
Total assets	<u>\$ 4,291,896</u>	<u>\$ 4,156,588</u>	<u>\$ (135,308)</u>
Liabilities			
Long-term debt:			
Bonds	\$ 5,673,337	\$ 5,617,594	\$ (55,736)
Loans from banks	7,308,533	7,145,393	(163,139)
Lease deposits received	2,004,801	1,868,905	(135,889)
Total liabilities	<u>\$ 14,986,671</u>	<u>\$ 14,631,893</u>	<u>\$ (354,771)</u>
Derivative transactions (*2)	\$ 31,655	\$ 31,655	\$ –

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures (continued)

(3) Supplemental information for fair values of financial instruments (continued)

- (*1) Trade notes and accounts receivable are net of allowance for doubtful accounts.
- (*2) Assets and liabilities arising from derivative transactions are shown at net value with the amount in parentheses a net liability position.

Notes: 1) The carrying value of investments in securities without a quoted market price and investments in limited liability partnership and others are shown in the following table, and these are not included in “Marketable and investment securities”.

	Carrying amount		
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Investments in securities without a quoted market price (*1)	¥ 38,183	¥ 33,201	\$ 252,182
Investments in limited liability partnership and others (*2)	13,532	13,017	89,373

- (*1) Investments in securities without a quoted market price include unlisted stocks and others are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).
- (*2) Investments in limited liability partnership and others are mainly investments in partnership investments in anonymous associations and others. These are not subject to disclosure of fair value in accordance with Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021).

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures (continued)

(3) Supplemental information for fair values of financial instruments (continued)

Notes: 2) Redemption schedule for receivables and marketable and investment securities with maturities as of March 31, 2024 and 2023 were as follows:

	<i>Millions of yen</i>			
	2024			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and bank deposits	¥450,129	¥ –	¥ –	¥ –
Trade notes and accounts receivable	198,578	10,198	8,684	7,886
Marketable and investment securities:				
Held-to-maturity debt securities	300	404	–	10
Other securities with contractual maturities (*)	150	448	–	120
Lease deposits	23,034	89,862	46,417	95,414
Total	¥672,193	¥100,912	¥55,102	¥103,431
	<i>Millions of yen</i>			
	2023			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and bank deposits	¥358,086	¥ –	¥ –	¥ –
Trade notes and accounts receivable	173,546	8,827	6,042	5,649
Marketable and investment securities:				
Held-to-maturity debt securities	1,125	703	1	10
Other securities with contractual maturities (*)	3,192	6,406	–	120
Lease deposits	24,389	84,040	48,683	101,603
Total	¥560,340	¥99,977	¥54,727	¥107,383

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosures (continued)

(3) Supplemental information for fair values of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>			
	2024			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and bank deposits	\$ 2,972,914	\$ –	\$ –	\$ –
Trade notes and accounts receivable	1,311,524	67,353	57,354	52,083
Marketable and investment securities:				
Held-to-maturity debt securities	1,981	2,668	–	66
Other securities with contractual maturities (*)	990	2,958	–	792
Lease deposits	152,129	593,501	306,564	630,169
Total	\$ 4,439,554	\$ 666,481	\$ 363,925	\$ 683,118

(*) Other securities with contractual maturities do not include perpetual subordinated bonds with no redemption date.

Notes: 3) The redemption schedule for bonds and bank loans is presented in Note 9 “Short-Term Bank Loans and Long-Term Debt.”

(4) Breakdown by level of fair values of financial instruments

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using (unadjusted) quoted prices of identical assets or liabilities in active markets

Level 2: Fair values measured using inputs other than inputs included within Level 1 that are observable, either directly or indirectly

Level 3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

1) Financial assets and liabilities at fair value on the consolidated balance sheets

For the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>			
	2024			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Stocks	¥ 121,776	¥ –	¥ –	¥ 121,776
Preferred fund certificates	–	–	21,485	21,485
Bonds	–	–	3,649	3,649
Investment trusts	–	139	–	139
Derivatives:				
Interest rates and currency related	–	4,793	–	4,793
Total	¥ 121,776	¥ 4,932	¥ 25,135	¥ 151,844
	<i>Millions of yen</i>			
	2023			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Stocks	¥ 138,818	¥ –	¥ –	¥ 138,818
Preferred fund certificates	–	–	19,989	19,989
Bonds	–	–	10,398	10,398
Investment trusts	–	112	–	112
Total	¥ 138,818	¥ 112	¥ 30,387	¥ 169,318
	<i>Thousands of U.S. dollars</i>			
	2024			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Stocks	\$ 804,279	\$ –	\$ –	\$ 804,279
Preferred fund certificates	–	–	141,899	141,899
Bonds	–	–	24,100	24,100
Investment trusts	–	918	–	918
Derivatives:				
Interest rates and currency related	–	31,655	–	31,655
Total	\$ 804,279	\$ 32,573	\$ 166,006	\$ 1,002,866

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

- 1) Financial assets and liabilities at fair value on the consolidated balance sheets (continued)

Notes: Investment trusts in the amount of ¥8,171 million (\$53,966 thousand) and ¥5,037 million as of March 31, 2024 and 2023, respectively, of which net asset values are considered as fair values in accordance with Paragraph 24-9 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 31, June 17, 2021), are not included in “Investment trusts” in the table above.

- 2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets

For the years ended March 31, 2024 and 2023

	<i>Millions of yen</i>			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Trade notes and accounts receivable	¥ –	¥ 222,621	¥ –	¥ 222,621
Marketable and investment securities:				
Held-to-maturity debt securities	712	–	–	712
Investments in affiliated companies	12,583	–	–	12,583
Lease deposits	–	238,208	–	238,208
Total assets	¥ 13,296	¥ 460,830	¥ –	¥ 474,126
Liabilities				
Long-term debt:				
Bonds	¥ –	¥ 850,560	¥ –	¥ 850,560
Loans from banks	–	1,063,336	18,547	1,081,884
Lease deposits received	–	268,532	14,438	282,971
Total liabilities	¥ –	¥ 2,182,430	¥ 32,985	¥ 2,215,415

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets (continued)

	<i>Millions of yen</i>			
	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Trade notes and accounts receivable	¥ –	¥ 192,234	¥ –	¥ 192,234
Marketable and investment securities:				
Held-to-maturity debt securities	1,840	–	–	1,840
Lease deposits	–	246,758	–	246,758
Total assets	<u>¥ 1,840</u>	<u>¥ 438,992</u>	<u>¥ –</u>	<u>¥ 440,833</u>
Liabilities				
Long-term debt:				
Bonds	¥ –	¥ 602,307	¥ –	¥ 602,307
Loans from banks	–	1,073,734	19,194	1,092,929
Lease deposits received	–	275,656	15,591	291,248
Total liabilities	<u>¥ –</u>	<u>¥ 1,951,698</u>	<u>¥ 34,786</u>	<u>¥ 1,986,485</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets (continued)

For the year ended March 31, 2024

	<i>Thousands of U.S. dollars</i>			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Trade notes and accounts receivable	\$ –	\$ 1,470,319	\$ –	\$ 1,470,319
Marketable and investment securities:				
Held-to-maturity debt securities	4,702	–	–	4,702
Investments in affiliated companies	83,105	–		83,105
Lease deposits	–	1,573,264	–	1,573,264
Total assets	\$ 87,814	\$ 3,043,590	\$ –	\$ 3,131,404
Liabilities				
Long-term debt:				
Bonds	\$ –	\$ 5,617,594	\$ –	\$ 5,617,594
Loans from banks	–	7,022,891	122,495	7,145,393
Lease deposits received	–	1,773,542	95,356	1,868,905
Total liabilities	\$ –	\$ 14,414,041	\$ 217,852	\$ 14,631,893

Note: Description of the valuation techniques and inputs used in fair value measurement and supplemental information for securities and derivatives.

Assets

Trade notes and accounts receivable

The fair values of trade notes and accounts receivable are measured at present value calculated by maturity periods to collection using discount rates with credit risks, and are categorized as Level 2.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

- 2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets (continued)

Marketable and investment securities

Securities for which unadjusted quoted market prices in active markets are available, such as listed stocks and government bonds, are categorized into Level 1. For preferred investments, the fair value is measured based on the book value net assets reflecting the fair value of real estate held by the investee, and for bonds without a quoted market price, the fair value is measured based on the price calculated by the option pricing method. These items are categorized as Level 3 because the impact of unobservable inputs on fair value is significant. For investment trusts without a quoted market price, if there is no material restriction on cancellation or purchase from market participants to require consideration for risk, the fair value is measured based on the net asset value and is categorized as Level 2. Fair value information for marketable and investment securities by classification is included in Note 5 “Marketable and Investment Securities.”

Lease deposits

The fair values of lease deposits are measured at present value calculated by maturity periods to collection and discount rates with credit risks and is categorized as Level 2.

Liabilities

Bonds

The fair value of bonds is measured at the value calculating by prices and yield information published by industry associations and others, and is categorized as Level 2.

Loans from banks

The carrying values of long-term loans from banks with floating rates (other than those accounted by “Exceptional treatment” described in 1. Summary of Significant Accounting Policies, q. Derivative financial instruments) approximate fair value because they reflect the market interest rates in a timely manner.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets (continued)

The fair values of loans from banks with fixed rates are determined at the present value by discounting the cash flows related to the debt, the total amounts of principal and interest payments, at the Group's assumed corporate discount rates corresponding to loan periods. The fair values of loans from banks with the interest rate swap or currency swap transactions are determined at the present value by discounting the total amounts of principal and interest payments related to the debt at the Group's assumed corporate discount rates corresponding to loan periods.

If the impact of unobservable inputs is significant, the fair value is categorized as Level 3, otherwise the fair value is categorized as Level 2.

Lease deposits received

The fair value of lease deposits received is measured at present value calculated by maturity periods to payment and discount rate with credit risks

If the impact of unobservable inputs is significant, the fair value is categorized as Level 3, otherwise the fair value is categorized as Level 2.

Derivatives

The fair value of derivative transactions is measured based on the prices provided by counterparty financial institutions, and is categorized as Level 2.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

27. Derivatives

Derivative transactions to which hedge accounting was not applied as of March 31, 2024 were as follows:

		<i>Millions of yen</i>			
		2024			
<u>Classification</u>	<u>Transaction type</u>	<u>Contract amount</u>	<u>Contract amount due after one year</u>	<u>Fair value</u>	<u>Recognized gain (loss)</u>
Transactions other than market transactions	Interest rate and currency swaps: Floating rate payment in yen, floating rate receipt in U.S. dollars	¥ 36,338	¥ 36,338	¥ 4,793	¥ 4,793
		<i>Thousands of U.S. dollars</i>			
		2024			
<u>Classification</u>	<u>Transaction type</u>	<u>Contract amount</u>	<u>Contract amount due after one year</u>	<u>Fair value</u>	<u>Recognized gain (loss)</u>
Transactions other than market transactions	Interest rate and currency swaps: Floating rate payment in yen, floating rate receipt in U.S. dollars	\$ 239,997	\$ 239,997	\$ 31,655	\$ 31,655

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

27. Derivatives (continued)

Derivative transactions to which hedge accounting was applied as of March 31, 2024 and 2023 were as follows:

		<i>Millions of yen</i>			
		2024		2023	
Transaction type	Hedged item	Contract amount	Contract amount due after one year	Contract amount	Contract amount due after one year
Interest rate swaps:					
Fixed rate payment, floating rate receipt	Long-term debt – loans from banks	¥ 18,028	¥ –	¥ 25,670	¥ 17,670
Interest rate and currency swaps:					
Fixed rate payment in yen, floating rate receipt in U.S. dollars	Long-term debt – loans from banks	–	–	16,128	–
		<i>Thousands of U.S. dollars</i>			
		2024			
Transaction type	Hedged item	Contract amount	Contract amount due after one year		
Interest rate swaps:					
Fixed rate payment, floating rate receipt	Long-term debt – loans from banks	\$ 119,067	\$ –		

The above interest rate swaps and interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income, and long-term debts denominated in a foreign currency are translated at the contracted rates (allocation method and special treatment). In addition, the fair values of such interest rate swaps and interest rate and currency swaps in Note 26 “Financial Instruments and Related Disclosure” are included in those of the hedged items (i.e., long-term debt).

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

28. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2024 and 2023 are reconciled to cash and bank deposits in the consolidated balance sheets as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Cash and bank deposits	¥ 450,129	¥ 358,086	\$ 2,972,914
Time deposits with maturities of more than three months	(10,557)	(11,932)	(69,724)
Cash and cash equivalents	¥ 439,572	¥ 346,154	\$ 2,903,190

Year Ended March 31, 2024

Following the sale of its shares, Cosmos Initia Co., Ltd. was excluded from consolidation for the year ended March 31, 2024. The breakdown of its assets and liabilities at the time of sale, the amount of the sale its shares, and the payments for the sale are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2024</u>
Current assets	¥ 161,163	\$ 1,064,414
Fixed assets	12,368	81,685
Current liabilities	(74,327)	(490,898)
Long-term liabilities	(53,621)	(354,144)
Accumulated other comprehensive income	(42)	(277)
Non-controlling interests	(16,830)	(111,155)
Investment account after the sale of the shares	(17,437)	(115,164)
Loss on sales of shares	(5,345)	(35,301)
Amount of the sale of shares (After commission deduction)	5,927	39,145
Cash and cash equivalents in subsidiaries resulting in change in scope of consolidation	(34,035)	(224,787)
Less: Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	¥ (28,108)	\$ (185,641)

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

29. Business Combination

(Business divestiture)

Transfer of subsidiary stock

1. Outline of business divestiture

(1) Name of successor company

Kyoritsu Maintenance Co., Ltd.

(2) Name and business profile of the consolidated subsidiary to be divested

Name: Cosmos Initia Co., Ltd.

Business profile: Real estate sales, Real estate rental, Real estate brokerage

(3) Main reason for business divestiture

The Company concluded the former Capital and Business Alliance Agreement between Cosmos Initia Co., Ltd. (Hereinafter, “Cosmos Initia”) on April 16, 2013, and Cosmos Initia was made a consolidated subsidiary on June 27, 2013. Since then, Cosmos Initia has participated in human resource exchanges and collaborative projects, using the Group resources and synergy to strengthen its Residential Business, which includes condominium development, and achieve growth by expanding and diversifying its business domains, including Solutions Business and Accommodation Business.

In the 7th Medium-Term Management Plan (2022–2026), the Group released on May 13, 2022, it outlined “achieving growth of profits coexisting with capital efficiency through portfolio optimization” as the focal theme towards “completing a sustainable growth model”. The Company’s subsidiary Cosmos Initia has also engaged in various evaluations towards building a scenario for further growth.

The 7th Medium-Term Management Plan also outlines a policy of “further enhancing governance” as one of the important themes. While structural conflicts of interest related to listed subsidiaries have been identified as an issue in the Corporate Governance Code and others, the Company recognized the current status, where both the parent company and its consolidated subsidiary are listed, as an issue.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

29. Business Combination (continued)

1. Outline of business divestiture (continued)

(3) Main reason for business divestiture (continued)

Under these circumstances, the Company reached the conclusion that it is necessary to realize a three-company alliance involving Kyoritsu Maintenance Co., Ltd. (Hereinafter, “Kyoritsu Maintenance”), which possesses significant knowhow related to the facility management business, in order to fully tap into the potential of Cosmos Initia, helping maximize Cosmos Initia’s value and contributing to its sustainable growth. As such, the Company decided to conclude the Capital and Business Alliance Agreement and conduct the Stock Transfer. Moving forward, in addition to the alliance between the Company and Cosmos Initia, the Company will work with Kyoritsu Maintenance to strengthen new alliances related to the operation of dormitories and lodging facilities. At the same time, the Company will maximize its corporate value by balancing Group profit growth with improvements in capital efficiency.

(4) Date of business divestiture

February 26, 2024

(5) Other matters concerning the outline of the transaction including legal form

Stock transfers for which consideration received is only assets such as cash

2. Outline of accounting treatment performed

(1) Gain or loss on share transfer

Loss on sales of stocks of subsidiaries and affiliates: ¥5,345 million (\$35,301 thousand)

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

29. Business Combination (continued)

2. Outline of accounting treatment performed (continued)

- (2) Appropriate carrying amounts of assets and liabilities related to transferred business and major breakdown thereof

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2024</u>
Current assets	¥ 161,163	\$ 1,064,414
Fixed assets	11,440	75,556
Total assets	<u>¥ 172,604</u>	<u>\$ 1,139,977</u>
Current liabilities	¥ 74,327	\$ 490,898
Long-term liabilities	53,621	354,144
Total liabilities	<u>¥ 127,949</u>	<u>\$ 845,049</u>

- (3) Accounting treatment

The difference between the sales price and the consolidated carrying amount of the transferred stocks was recorded as “Loss on sales of stocks of subsidiaries and affiliates” in other expenses.

3. Reporting segment in which the divested business was included

Condominiums segment

4. Approximate profit or loss related to the divested business recorded in the consolidated statement of income for the year ended March 31, 2024

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2024</u>	<u>2024</u>
Net sales	¥ 124,736	\$ 823,829
Operating income	8,378	55,333

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition

(Changes in reportable segments)

Effective from the year ended March 31, 2024, the Company's subsidiary, Daiwa House Modular Europe B.V., which had been classified in the "Single-family houses" segment, has been reclassified to the "Rental housing" segment due to a change in the management structure.

Furthermore, information on the reportable segments for the year ended March 31, 2023 has been restated to reflect the changes.

- Information on disaggregated revenue arising from contracts with customers is for the years ended March 31, 2024 and 2023 were as follows:

	<i>Millions of yen</i>							
	2024							
	Reportable segment							
	Single- family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other (*1)	Total
Ordered contract transactions	¥ 291,779	¥ 399,880	¥ 42,060	¥ 410,283	¥ 769,080	¥ 37,387	¥ 80	¥ 1,950,551
Real estate sales transactions	616,440	174,779	294,406	222,514	138,994	-	-	1,447,134
Other related business transactions (*2)	2,094	81,989	63,943	219,827	97,197	55,523	37,739	558,314
Revenue from contracts with customers	<u>¥ 910,313</u>	<u>¥ 656,648</u>	<u>¥ 400,409</u>	<u>¥ 852,624</u>	<u>¥ 1,005,272</u>	<u>¥ 92,910</u>	<u>¥ 37,820</u>	<u>¥ 3,956,000</u>
Other revenue (*3)	¥ 34,147	¥ 592,025	¥ 32,559	¥ 323,090	¥ 253,967	¥ 8,836	¥ 2,292	¥ 1,246,918
Sales to third parties	944,461	1,248,673	432,969	1,175,715	1,259,239	101,746	40,112	5,202,919

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

1. Information on disaggregated revenue arising from contracts with customers is for the years ended March 31, 2024 and 2023 were as follows: (continued)

	<i>Millions of yen</i>							
	2023							
	Reportable segment							Total
Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other (*1)		
Ordered contract transactions	¥ 300,135	¥ 389,929	¥ 44,147	¥ 405,462	¥ 737,830	¥ 49,433	¥ 73	¥ 1,927,012
Real estate sales transactions	534,936	125,591	331,470	172,046	117,231	–	–	1,281,276
Other related business transactions (*2)	1,969	84,572	61,236	204,660	83,107	91,078	54,753	581,377
Revenue from contracts with customers	<u>¥ 837,040</u>	<u>¥ 600,094</u>	<u>¥ 436,853</u>	<u>¥ 782,169</u>	<u>¥ 938,169</u>	<u>¥ 140,512</u>	<u>¥ 54,826</u>	<u>¥ 3,789,666</u>
Other revenue (*3)	¥ 32,355	¥ 577,474	¥ 38,777	¥ 300,981	¥ 163,795	¥ 2,874	¥ 2,273	¥ 1,118,532
Sales to third parties	869,395	1,177,569	475,631	1,083,151	1,101,964	143,386	57,100	4,908,199

	<i>Thousands of U.S. dollars</i>							
	2024							
	Reportable segment							Total
Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other (*1)		
Ordered contract transactions	\$ 1,927,078	\$ 2,641,040	\$ 277,788	\$ 2,709,748	\$ 5,079,453	\$ 246,925	\$ 528	\$ 12,882,577
Real estate sales transactions	4,071,329	1,154,342	1,944,429	1,469,612	917,997	–	–	9,557,717
Other related business transactions (*2)	13,829	541,503	422,316	1,451,865	641,945	366,706	249,250	3,687,431
Revenue from contracts with customers	<u>\$ 6,012,238</u>	<u>\$ 4,336,886</u>	<u>\$ 2,644,534</u>	<u>\$ 5,631,226</u>	<u>\$ 6,639,402</u>	<u>\$ 613,631</u>	<u>\$ 249,785</u>	<u>\$ 26,127,732</u>
Other revenue (*3)	\$ 225,526	\$ 3,910,078	\$ 215,038	\$ 2,133,874	\$ 1,677,346	\$ 58,358	\$ 15,137	\$ 8,235,374
Sales to third parties	6,237,771	8,246,965	2,859,579	7,765,107	8,316,749	671,989	264,923	34,363,113

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

1. Information on disaggregated revenue arising from contracts with customers is for the years ended March 31, 2024 and 2023 were as follows: (continued)

Notes: (*1) “Other” includes resort hotel business and others for the year ended March 31, 2023, and financial business and others for the year ended March 31, 2024.

(*2) “Other related business transactions” includes real estate management transactions, electric power retail business, home center business, logistics service business, and hotel business.

(*3) “Other revenue” includes lease income recognized based on “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and revenue from sales of real estate recognized based on “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special-Purpose Companies” (JICPA Accounting Practice Committee Statement No. 15).

2. Information providing a basis for understanding revenue arising from contracts with customers

The Group operates in the business consisting of ordered housing construction and the construction of commercial and office buildings, and sales of real estate developed by the Group and other related business that are relevant to these businesses. Revenues from these businesses are recorded based on contracts with customers.

(1) Ordered contract transactions

Description of main transaction of each reportable segment is as follows:

Reportable segment	Description of main transaction
Single-family houses	Ordered contracts of single-family houses
Rental housing	Ordered contracts of rental housing
Condominiums	Large-scale repair work for condominiums
Commercial facilities	Sales of ordered contracts for stores, commercial complexes, and others
Logistics, business and corporate facilities	Sales of ordered contracts for logistics and manufacturing facilities, medical and nursing care facilities and others
Environment and energy	Sales of ordered contracts for power plants for renewable energy

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

2. Information providing a basis for understanding revenue arising from contracts with customers (continued)

(1) Ordered contract transactions (continued)

With respect to ordered contract transactions, the Group concludes construction contracts with customers (general consumers or companies) and has an obligation to perform construction works based on the construction contracts.

The Group determines that the performance obligations are satisfied over a certain period of time and recognizes revenues based on the progress of fulfillment of performance obligations because the value of the property increases, and the customer comes to control the property according to the progress of construction works.

The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs) because costs incurred relate to and are recorded generally in proportion to the progress of fulfillment of performance obligations.

With respect to construction contracts for which the progress cannot be reasonably estimated but the costs incurred in fulfilling the performance obligation are expected to be recovered, revenue is recognized on a cost recovery method until such time when the progress of fulfillment of performance obligation can be reasonably estimated.

The consideration for transactions is normally paid in full by the time of transfer of the real estate based on contract terms and therefore no significant financing component are included in receivables arising from contracts with customers. There are no significant variable considerations that could change the amount of the consideration.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

2. Information providing a basis for understanding revenue arising from contracts with customers (continued)

- (2) Real estate sales transactions

Description of main transaction of each reportable segment is as follows:

Reportable segment	Description of main transaction
Single-family houses	Sales of single-family houses
Rental housing	Sales of rental housing
Condominiums	Sales of condominiums
Commercial facilities	Sales of development properties for stores, commercial complexes, and others
Logistics, business and corporate facilities	Sales of development properties for logistics and others

With respect to real estate transactions, the Group concludes real estate sales contracts with customers (general consumers, companies and investors) and has an obligation to transfer properties developed or purchased by the Group.

Since legal ownership, physical possession, and significant risks and rewards are transferred to the customer at the time of transfer of the properties, performance obligation is fulfilled at the time the properties are transferred, and therefore revenues are recognized at the time of transfer of properties to the customers.

The consideration for transactions is normally paid in full by the time of transfer of the properties and therefore no significant financing components are included in the amount of consideration for transactions. There are no significant variable considerations that could change the amount of the consideration.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

2. Information providing a basis for understanding revenue arising from contracts with customers (continued)

(3) “Other” related business transactions

A description of main transactions in “Other” related business transaction is as follows. The consideration for transactions is normally paid in full within one month after the fulfillment of performance obligations and therefore no significant financing components are included. In addition, there are no significant variable considerations that could change the amount of the consideration.

① Real estate management transactions

With respect to real estate management transactions, the Group concludes management service consignment contracts with customers, and has an obligation to provide renovation services and general facility management services (administrative management services, cleaning services, security services, facility management services and others) for rental housing, condominiums, commercial facilities, and logistics, business and corporate facilities. Depending on the nature of the performance obligation related to these services, performance obligations are satisfied at a point of time or over a certain period of time and revenues are recognized.

② Electric power retail business

With respect to electric power retail business, the Group concludes supply and demand contracts with customers, and has an obligation to supply electric power. For such contracts, the Group recognizes revenue when electricity is supplied to customers. Revenues are calculated based on actual amount of electricity used collected on the meter reading date, and the revenues from the meter reading date to the date of fiscal year end are recorded on an estimation basis based on the amount of electricity used and unit prices.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

3. Information for understanding the amounts of revenue in the next year

(1) Balances of contract assets and contract liabilities

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Receivables arising from contracts with customers (balance at the beginning of the year)	¥ 173,500	¥ 158,357	\$ 1,145,895
Receivables arising from contracts with customers (balance at the end of the year)	204,252	173,500	1,348,999
Contract assets (balance at the beginning of the year)	260,274	230,436	1,719,001
Contract assets (balance at the end of the year)	267,856	260,274	1,769,077
Contract liabilities (balance at the beginning of the year)	275,393	289,436	1,818,856
Contract liabilities (balance at the end of the year)	242,951	275,393	1,604,590

Contract assets relate to the rights of the Group in respect of construction contracts to consideration for which revenues are recognized based on the progress of the performance obligation but unbilled as of March 31, 2024 and 2023.

Contract assets are reclassified as receivables arising from contracts with customers when the rights of the Group to the consideration become unconditional.

Consideration related to construction contracts is billed and received in full by the time the relevant properties are transferred.

Contract liabilities relate to the advances received on construction projects in progress from customers and advances received as deposits from customers on real estate sales contracts. Contract liabilities are reversed when revenues are recognized.

The revenues recognized during the years ended March 31, 2024 and 2023 that were included in the balance of contract liabilities at the beginning of the years ended March 31, 2024 and 2023 were ¥238,249 million (\$1,573,535 thousand) and ¥232,319 million, respectively.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

3. Information for understanding the amounts of revenue in the next year (continued)

(1) Balances of contract assets and contract liabilities (continued)

There were no significant changes in the balances of contract assets and liabilities during the years ended March 31, 2024 and 2023 and no significant matters regarding revenues recognized during the years ended March 31, 2024 and 2023 for the performance obligations fulfilled in prior fiscal years.

Notes: Balances of receivables arising from contracts with customers, contract assets and contract liabilities

Receivables arising from contracts with customers and contract assets in Trade notes and accounts receivable are as follows.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Notes receivable	¥ 15,155	¥ 3,756	\$ 100,092
Electronically recorded monetary claims	12,025	7,980	79,420
Accounts receivable	177,071	161,763	1,169,480
Contract assets	267,856	260,274	1,769,077
Total	¥ 472,109	¥ 433,775	\$ 3,118,083

Contract liabilities in advances received and advances received on construction projects in progress are as follows.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Advances received	¥ 47,493	¥ 92,119	\$ 313,671
Advances received on construction projects in progress	195,458	183,273	1,290,918
Total	¥ 242,951	¥ 275,393	\$ 1,604,590

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

3. Information for understanding the amounts of revenue in the next year (continued)

(2) Transaction price allocated to the remaining performance obligations

The total transaction prices allocated to the remaining performance obligation are as follows. These performance obligations are mainly related to ordered contract transactions and real estate sales transactions.

	<i>Millions of yen</i>		Thousands of U.S. dollars
	2024	2023	2024
Single-family houses	¥ 206,437	¥ 205,998	\$ 1,363,430
Rental housing	187,781	174,645	1,240,215
Condominiums	84,687	154,245	559,322
Commercial facilities	207,948	230,342	1,373,409
Logistics, business and corporate facilities	1,030,245	965,100	6,804,339
Environment and energy	3,525	14,594	23,281
Other	9	–	59
Total	¥ 1,720,635	¥ 1,744,926	\$ 11,364,077

With respect to Single-family houses, Rental housing, Condominiums, and Environment and energy, approximately 90% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2024, and the remaining approximately 10% of revenues are expected to be recognized in more than one year and within two years after the end of the year ended March 31, 2024.

With respect to Commercial facilities, approximately 90% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2024, approximately 5% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2024, and the remaining approximately 5% of revenues are expected to be recognized thereafter.

With respect to Logistics, business and corporate facilities, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2024, approximately 30% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2024 and remaining approximately 10% of revenues are expected to be recognized thereafter.

With respect to Other, revenues are expected to be recognized within one year after the end of the year ended March 31, 2024.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Revenue Recognition (continued)

3. Information for understanding the amounts of revenue in the next year (continued)

(2) Transaction price allocated to the remaining performance obligations (continued)

With respect to notes to transaction prices allocated to remaining performance obligations for other related business, the practical expedient is applied and contracts with an initially expected contract term of one year or less are not included in the notes.

With respect to Single-family houses, Rental housing, and Condominiums, approximately 90% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2023, and the remaining approximately 10% of revenues are expected to be recognized in more than one year and within two years after the end of the year ended March 31, 2023.

With respect to Commercial facilities and Environment and energy, approximately 80% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2023, and the remaining approximately 20% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2023.

With respect to Logistics, business and corporate facilities, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2023, approximately 30% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2023 and remaining approximately 10% of revenues are expected to be recognized thereafter.

With respect to notes to transaction prices allocated to remaining performance obligations for other related business, the practical expedient is applied and contracts with an initially expected contract term of one year or less are not included in the notes.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and evaluated regularly by the Company's management in order to decide how resources are allocated among the Group. The Group operates in diversified and comprehensive business areas such as housing construction as well as the construction of commercial and office buildings. The Group has divided its operations into seven business domains and conducts its business activities by developing comprehensive business plans for each business domain in order to complement core competencies with timely decision-making, professionalism, value chain integration, leveraging of the customer base and others. The Group's reportable segments consist of the following six core businesses as reportable segments; Single-family houses, Rental housing, Condominiums, Commercial facilities, Logistics, business and corporate facilities and Environment and energy. The Single-family houses consist of orders of single-family houses and sales of packages of new houses with land. The Rental housing consists of the Group's operations in rental housing development, construction, management, operation and real estate agency services. The Condominiums consist of development, sale and management of condominiums. The Commercial facilities consist of development, construction, management and operation of commercial facilities. The Logistics, business and corporate facilities consist of development, construction, management and operation of logistics, manufacturing facilities and medical and nursing care facilities. The Environment and energy consist of development and construction of renewable energy power plants, renewable energy generation, and electricity retailing.

(Changes in reportable segment)

Effective from the year ended March 31, 2024, the Company's subsidiary, Daiwa House Modular Europe B.V., which had been classified in the "Single-family houses" segment, has been reclassified to the "Rental housing" segment due to a change in the management structure. Reportable segment information for the year ended March 31, 2023 has been restated to reflect the changes.

2. Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 1 "Summary of Significant Accounting Policies"

Profits by reportable segments are figures of operating income of the segments. Intersegment sales and transfers are based on prevailing market values.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows:

<i>Millions of yen</i>							
2024							
Reportable segments							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Sub-total
Sales:							
Sales to third parties	¥ 944,461	¥ 1,248,673	¥ 432,969	¥ 1,175,715	¥ 1,259,239	¥ 101,746	¥ 5,162,806
Intersegment sales and transfers	6,622	1,614	8,898	5,845	35,215	37,694	95,891
Total	¥ 951,083	¥ 1,250,288	¥ 441,867	¥ 1,181,561	¥ 1,294,455	¥ 139,441	¥ 5,258,697
Segment profit	¥ 35,164	¥ 115,791	¥ 37,372	¥ 143,630	¥ 123,244	¥ 9,131	¥ 464,335
Segment assets	983,493	769,308	547,970	1,704,237	1,925,779	86,632	6,017,420
Other:							
Depreciation	10,479	18,105	3,274	55,201	23,957	3,139	114,157
Investments in affiliates accounted for by the equity method	1,330	74	19,816	13	21,334	2,267	44,836
Increase in property, plant and equipment and intangible assets	9,028	48,128	4,960	125,889	153,188	2,351	343,546

<i>Millions of yen</i>				
2024				
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	¥ 40,112	¥ 5,202,919	¥ –	¥ 5,202,919
Intersegment sales and transfers	27,930	123,821	(123,821)	–
Total	¥ 68,043	¥ 5,326,740	¥ (123,821)	¥ 5,202,919
Segment profit	¥ 2,450	¥ 466,786	¥ (26,575)	¥ 440,210
Segment assets	133,976	6,151,397	382,324	6,533,721
Other:				
Depreciation	1,197	115,355	1,849	117,204
Investments in affiliates accounted for by the equity method	3,981	48,817	(10)	48,807
Increase in property, plant and equipment and intangible assets	7,606	351,152	4,628	355,780

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

	<i>Millions of yen</i>						
	2023						
	Reportable segments						
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Sub-total
Sales:							
Sales to third parties	¥ 869,395	¥ 1,177,569	¥ 475,631	¥ 1,083,151	¥ 1,101,964	¥ 143,386	¥ 4,851,098
Intersegment sales and transfers	6,974	5,560	8,750	9,016	28,265	45,224	103,793
Total	<u>¥ 876,370</u>	<u>¥ 1,183,130</u>	<u>¥ 484,382</u>	<u>¥ 1,092,167</u>	<u>¥ 1,130,230</u>	<u>¥ 188,611</u>	<u>¥ 4,954,891</u>
Segment profit	¥ 46,584	¥ 109,792	¥ 40,879	¥ 132,984	¥ 99,630	¥ 6,285	¥ 436,156
Segment assets	782,866	647,470	702,674	1,547,036	1,865,499	97,517	5,643,064
Other:							
Depreciation	10,915	15,702	3,194	54,820	22,118	3,048	109,798
Investments in affiliates accounted for by the equity method	1,436	2	2,472	12	17,259	913	22,098
Increase in property, plant and equipment and intangible assets	22,191	38,548	8,988	151,009	289,527	2,227	512,493

	<i>Millions of yen</i>			
	2023			
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	¥ 57,100	¥ 4,908,199	¥ –	¥ 4,908,199
Intersegment sales and transfers	24,748	128,541	(128,541)	–
Total	<u>¥ 81,849</u>	<u>¥ 5,036,740</u>	<u>¥ (128,541)</u>	<u>¥ 4,908,199</u>
Segment profit	¥ 5,497	¥ 441,654	¥ 23,716	¥ 465,370
Segment assets	154,188	5,797,253	344,814	6,142,067
Other:				
Depreciation	1,730	111,528	1,935	113,464
Investments in affiliates accounted for by the equity method	3,628	25,726	–	25,726
Increase in property, plant and equipment and intangible assets	1,427	513,920	4,222	518,143

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

<i>Thousands of U.S. dollars</i>							
2024							
Reportable segments							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Sub-total
Sales:							
Sales to third parties	\$ 6,237,771	\$ 8,246,965	\$ 2,859,579	\$ 7,765,107	\$ 8,316,749	\$ 671,989	\$ 34,098,183
Intersegment sales and transfers	43,735	10,659	58,767	38,603	232,580	248,953	633,320
Total	<u>\$ 6,281,507</u>	<u>\$ 8,257,631</u>	<u>\$ 2,918,347</u>	<u>\$ 7,803,718</u>	<u>\$ 8,549,336</u>	<u>\$ 920,949</u>	<u>\$ 34,731,503</u>
Segment profit	\$ 232,243	\$ 764,751	\$ 246,826	\$ 948,616	\$ 813,975	\$ 60,306	\$ 3,066,739
Segment assets	6,495,561	5,080,958	3,619,113	11,255,775	12,718,968	572,168	39,742,553
Other:							
Depreciation	69,209	119,575	21,623	364,579	158,226	20,731	753,959
Investments in affiliates accounted for by the equity method	8,784	488	130,876	85	140,902	14,972	296,123
Increase in property, plant and equipment and intangible assets	59,626	317,865	32,758	831,444	1,011,742	15,527	2,268,978

<i>Thousands of U.S. dollars</i>				
2024				
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	\$ 264,923	\$ 34,363,113	\$ –	\$ 34,363,113
Intersegment sales and transfers	184,466	817,786	(817,786)	–
Total	<u>\$ 449,395</u>	<u>\$ 35,180,899</u>	<u>\$ (817,786)</u>	<u>\$ 34,363,113</u>
Segment profit	\$ 16,181	\$ 3,082,927	\$ (175,516)	\$ 2,907,403
Segment assets	884,855	40,627,415	2,525,090	43,152,506
Other:				
Depreciation	7,905	761,871	12,211	774,083
Investments in affiliates accounted for by the equity method	26,292	322,415	(66)	322,349
Increase in property, plant and equipment and intangible assets	50,234	2,319,212	30,566	2,349,778

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

Notes: 1) “Other” includes financial business and others.

2) Adjustments and eliminations for segment (loss) profit of ¥(26,575) million (\$ (175,516) thousand) and ¥23,716 million include an elimination of intersegment transactions of ¥(1,359) million (\$ (8,975) thousand) and ¥(1,374) million, the amortization of goodwill and others of ¥822 million (\$5,428 thousand) and ¥831 million, and the corporate (expenses) profit not allocated to each business segment of ¥(26,038) million (\$ (171,970) thousand) and ¥24,258 million for the years ended March 31, 2024 and 2023, respectively. Corporate expenses for the year ended March 31, 2024 mainly consist of general and administrative expenses and experiment and research expenses not attributable to any reportable business segments. Corporate profit for the year ended March 31, 2023 mainly consists of the amortization of actuarial gain for employees’ retirement benefits (a decrease in operating expenses), general and administrative expenses and experiment and research expenses not attributable to any reportable business segments.

Adjustments and eliminations for segment assets of ¥382,324 million (\$2,525,090 thousand) and ¥344,814 million include intersegment eliminations of ¥32,156 million (\$212,376 thousand) and ¥20,194 million, and the corporate assets of ¥414,480 million (\$2,737,467 thousand) and ¥365,009 million for the years ended March 31, 2024 and 2023, respectively. Corporate assets primarily consist of the Group’s surplus funds (cash and bank deposits), the Group’s long-term investment funds (investment securities) and the assets associated with administration headquarters of the Company.

Adjustments and eliminations for depreciation of ¥1,849 million (\$12,211 thousand) and ¥1,935 million include intersegment eliminations of ¥499 million (\$3,295 thousand) and ¥532 million, and the depreciation attributable to corporate assets of ¥2,348 million (\$15,507 thousand) and ¥2,468 million for the years ended March 31, 2024 and 2023, respectively.

Adjustments and eliminations for investments in affiliates accounted for by the equity method of ¥10 million (\$66 thousand) represent elimination of intersegment transactions for the year ended March 31, 2024.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

Notes: 2) Adjustments and eliminations for increase in property, plant and equipment and other assets of ¥4,628 million (\$30,566 thousand) and ¥4,222 million include intersegment adjustments of ¥(718) million (\$(4,742) thousand) and ¥856 million, and the headquarters' capital investments in properties and equipment of ¥5,346 million (\$35,308 thousand) and ¥3,366 million for the years ended March 31, 2024 and 2023, respectively.

3) Consolidated amounts of segment profit as mentioned above correspond to the amounts of operating income in the consolidated statement of income.

Impairment losses

		<i>Millions of yen</i>							
		2024							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Impairment losses	¥ 58	¥ 73	¥ 32	¥ 7,959	¥ 359	¥ 9	¥ 2,334	¥ –	¥ 10,826
		<i>Millions of yen</i>							
		2023							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Impairment losses	¥ 1,204	¥ 786	¥ 2,029	¥ 6,211	¥ 715	¥ 149	¥ 73	¥ 100	¥ 11,271
		<i>Thousands of U.S. dollars</i>							
		2024							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Impairment losses	\$ 383	\$ 482	\$ 211	\$ 52,565	\$ 2,371	\$ 59	\$ 15,415	\$ –	\$ 71,501

Note: Adjustments and eliminations for impairment loss of ¥100 million represent the impairment loss for corporate assets that are not allocated to each business segment for the year ended March 31, 2023.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

Amortization of goodwill

<i>Millions of yen</i>									
2024									
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Amortization	¥ 3,491	¥ 788	¥ 1,013	¥ 994	¥ 3,135	¥ (490)	¥ 757	¥ –	¥ 9,691
Balance as of March 31, 2024	29,552	13,123	5,861	6,027	34,096	(1,683)	8,450	–	95,429

<i>Millions of yen</i>									
2023									
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Amortization	¥ 1,500	¥ 747	¥ 655	¥ 772	¥ 2,519	¥ (490)	¥ 19	¥ –	¥ 5,724
Balance as of March 31, 2023	29,306	12,551	8,153	6,820	30,666	(2,173)	9,142	–	94,467

<i>Thousands of U.S. dollars</i>									
2024									
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Amortization	\$ 23,056	\$ 5,204	\$ 6,690	\$ 6,564	\$ 20,705	\$ (3,236)	\$ 4,999	\$ –	\$ 64,005
Balance as of March 31, 2024	195,178	86,671	38,709	39,805	225,189	(11,115)	55,808	–	630,268

Gain on negative goodwill was nil for the years ended March 31, 2024 and 2023.

4. Information by product and service

This information is omitted because the same information is disclosed in segment information.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Segment Information (continued)

5. Information by geographic segment

(Sales)

Geographical information on net sales is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2024	2023	2024
Japan	¥ 4,501,860	¥ 4,238,922	\$ 29,732,910
Overseas	701,058	669,276	4,630,196
Total	¥ 5,202,919	¥ 4,908,199	\$ 34,363,113

Note: Net sales are categorized based on the region in which business activities are conducted.

(Property, plant and equipment)

Geographical information on property, plant and equipment is as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2024	2024
Japan	¥ 1,737,353	\$ 11,474,493
Overseas	270,676	1,787,702
Total	¥ 2,008,029	\$ 13,262,195

Note: Geographical information on property, plant and equipment for the year ended March 31, 2023 is omitted because property, plant and equipment in Japan exceeds 90% of property, plant and equipment of the consolidated balance sheet.

6. Information by major customer

This information is omitted because there is no specific external customer that accounts for 10% or more of consolidated sales.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

32. Related Party Transactions

The Group has related party transactions with unconsolidated subsidiary and directors and their relatives of the Company. Principal transactions and balances between the Group and its related parties as of and for the years ended March 31, 2024 and 2023 were as follows:

Millions of yen

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transactions	Transaction amount	Account	Balance outstanding as of March 31, 2024
Yoshinori Ariyoshi's relatives	–	–	Director and Managing Executive Officer	0.0% owned by the related party	Sales of condominium	Sales of condominium (Note 1)	¥ 21	–	¥ –
Keisuke Shimonishi	–	–	Director and Senior Managing Executive Officer	0.0% owned by the related party	House construction	House construction (Note 2)	¥ –	–	¥ –

Millions of yen

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transactions	Transaction amount	Account	Balance outstanding as of March 31, 2023
Keisuke Shimonishi	–	–	Director and Managing Executive Officer	0.0% owned by the related party	House construction	House construction	¥ 36	Advances received on construction projects in progress (Note 3)	¥ 1
								Other current liabilities	¥ 0
Yukiko Yabu and her relatives	–	–	Outside Director	0.0% owned by the related party	Sales of condominium	Sales of condominium	¥ 91	–	¥ –

Thousands of U.S. dollars

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transactions	Transaction amount	Account	Balance outstanding as of March 31, 2024
Yoshinori Ariyoshi's relatives	–	–	Director and Managing Executive Officer	0.0% owned by the related party	Sales of condominium	Sales of condominium (Note 1)	\$ 138	–	\$ –
Keisuke Shimonishi	–	–	Director and Senior Managing Executive Officer	0.0% owned by the related party	House construction	House construction (Note 2)	\$ –	–	\$ –

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

32. Related Party Transactions (continued)

- Notes: 1) This transaction is sales of condominium, and the transaction amount is calculated by multiplying the joint venture ratio.
- 2) The corresponding house construction in the transaction amount of ¥36 million, which had not been transferred to the related party in the year ended March 31, 2023, has been transferred in the year ended March 31, 2024.
- 3) The balance of the advances received on construction projects in progress as of March 31, 2023 is calculated as the receipt amount from customers on construction projects less trade notes and accounts receivable and others.
- 4) Business transactions with related parties except exercise of the acquisition rights are carried out on the same method as for third party transactions.

33. Subsequent Event

Dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2024, was approved at a shareholders' meeting of the Company held on June 27, 2024:

Resolution	Types of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Shareholders' meeting held on June 27, 2024	Common stock	¥ 51,185	\$ 338,055	¥ 80	\$ 0.52	March 31, 2024	June 28, 2024